

INDUSTRY OVERVIEW

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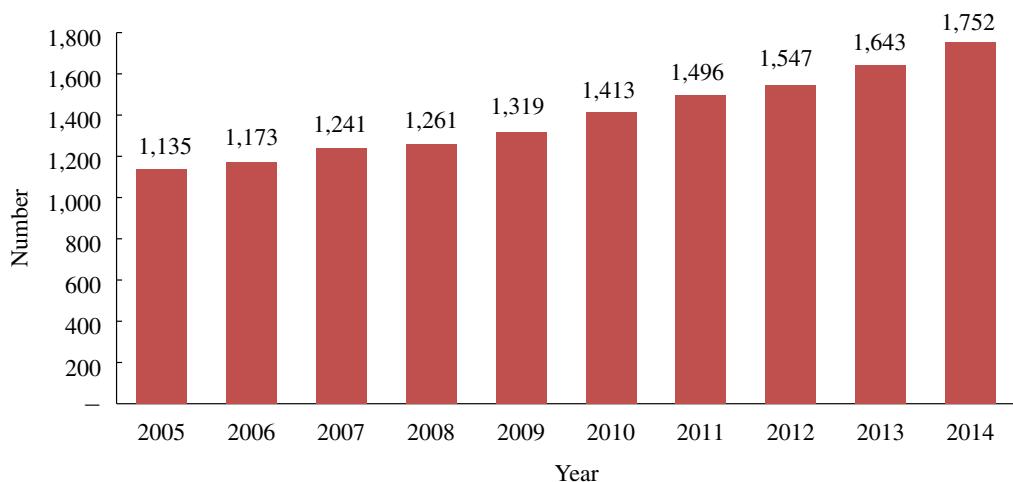
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OVERVIEW OF THE HONG KONG STOCK MARKET

Growth of the Hong Kong stock market

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

Number of companies listed on the Main Board and GEM between 2005 and 2014

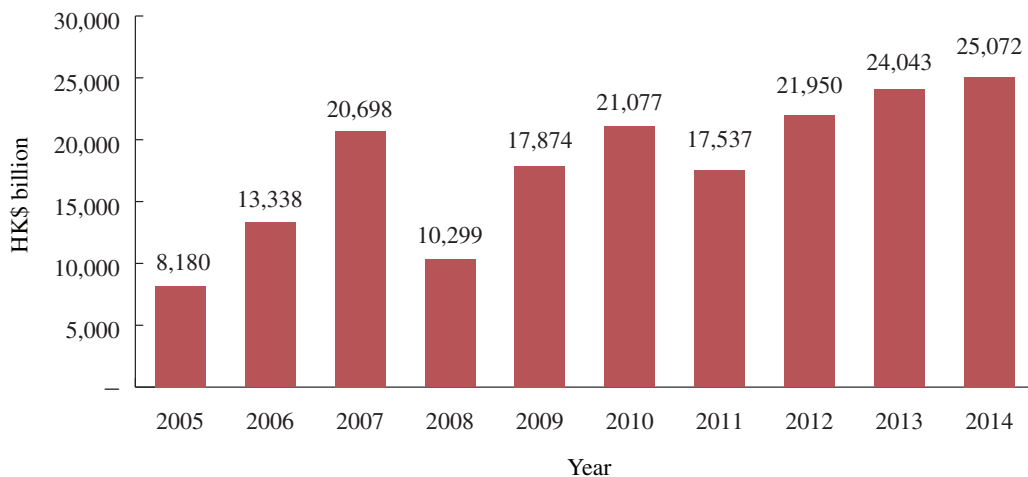


Sources: HKEx fact book 2013, HKEx monthly market highlight – December 2014

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The total market capitalisation of companies listed on the Stock Exchange was approximately HK\$24,043 billion and HK\$25,072 billion as at 31 December 2013 and 2014 respectively.

Total market capitalisation of companies listed on the Stock Exchange between 2005 and 2014



Sources: HKEx fact book 2013, HKEx monthly market highlight – December 2014

World ranking of the Hong Kong stock market

According to the World Federation of Exchanges, Hong Kong ranked the seventh largest market of the world's leading stock exchanges in terms of domestic equity market capitalisation as at the end of December 2014.

Rank	Exchange	USD billion
1	NYSE Euronext (United States)	19,351
2	NASDAQ OMX (United States)	6,979
3	Japan Exchange Group	4,485
4	London Stock Exchange Group	4,013
5	Shanghai Stock Exchange	3,933
6	NYSE Euronext (Europe)	3,319
7	Hong Kong Stock Exchange	3,233
8	TSX Group	2,094
9	Shenzhen Stock Exchange	2,072
10	Deutsche Börse	1,739

Source: World Federation of Exchanges

According to the "Research Paper No. 56: A Review of the Global and Local Securities Market in 2014" issued by the SFC, in 2014, the Hang Seng Index and the Hang Seng China Enterprises Index rose 1.3% and 10.8% respectively, following a respective increase of 2.9% and a fall of 5.4% in 2013. Concerns over the United States Federal Reserve's tapering and

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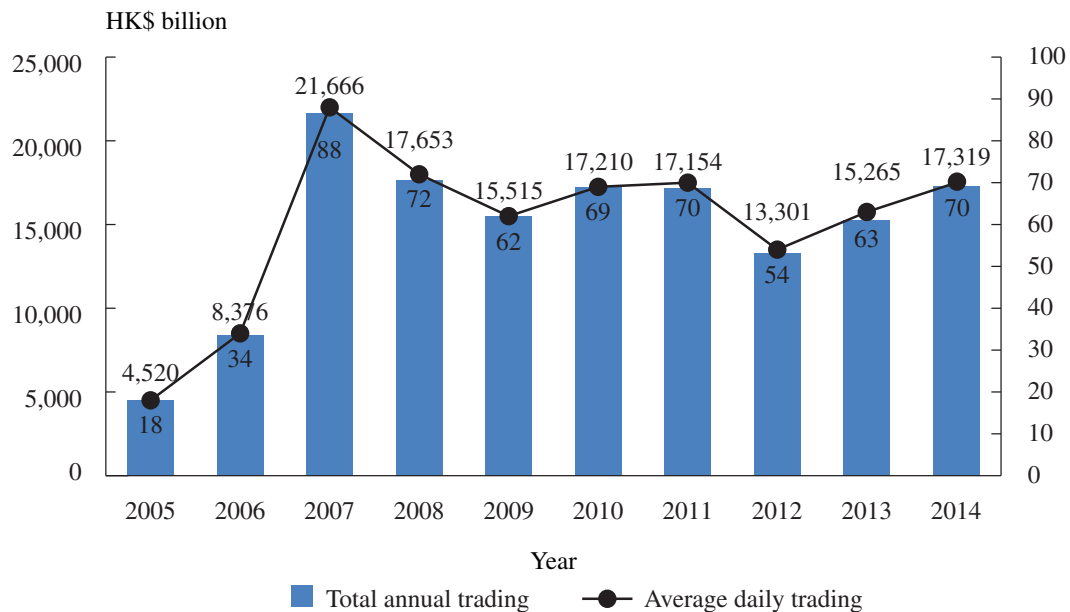
uncertain the PRC economic outlook weighed on the market. In early 2014, the Hong Kong market was choppy amid concerns about the Federal Reserve's withdrawal of stimulus policies and economic uncertainties in emerging markets. Worries about an economic slowdown in the PRC and geopolitical tensions in Ukraine lingered. In early April, the announcement of Shanghai-Hong Kong Stock Connect lifted market sentiment. Optimism over the PRC government's stimulus measures and state-owned enterprise reforms lent some support. Later, the market rose on an improved global economic outlook and robust performances in major overseas markets. Huge capital inflows to the Hong Kong market also paced gains. In July, the HKMA bought HK\$65.0 billion to meet the strong demand for the Hong Kong dollar. In early September, the Hang Seng Index hit a six-year high of over 25,000 points, tracking the rally in the PRC market. Optimism in the global economic outlook paced gains. In November, the Shanghai-Hong Kong Stock Connect was launched and market sentiment improved following an interest rate cut in the PRC. Later, the market trimmed some earlier gains on concerns about global economic outlook.

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.

Trading turnover from 2005 to 2014



Source: HKEx fact book 2013, HKEx participants' market share report – December 2014

Since 2005, trading turnover showed a general upward trend up until 2007. There was a downturn of trading turnover in 2008 and 2009 due to the global financial crisis which took place in the second half of 2008. Trading turnover in 2009 was approximately HK\$15,515.2

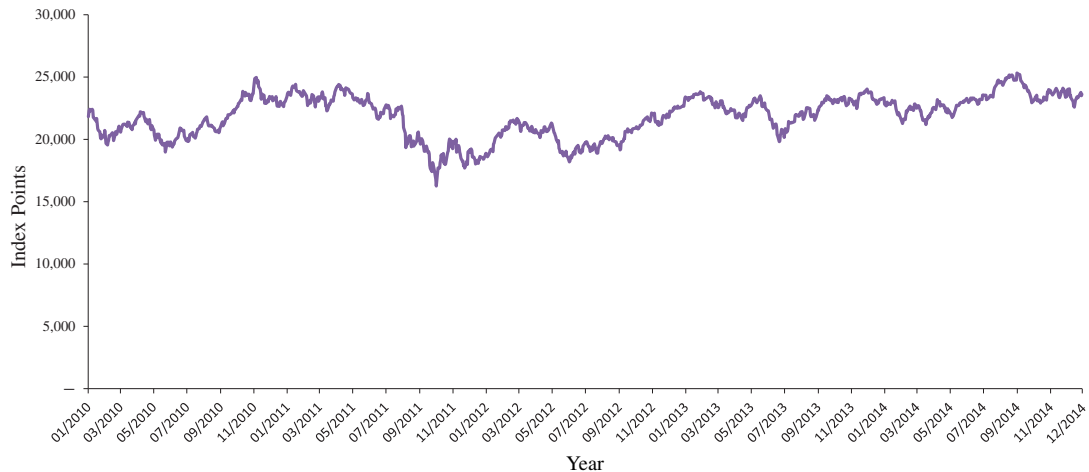
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billion, representing a decrease of approximately 12.1% compared to 2008. Trading turnover improved in 2010 to approximately HK\$17,210.0 billion, representing an increase of approximately 10.9% compared to 2009. Trading activity was moderate in 2011. The average daily turnover amounted to about HK\$69.7 billion, approximately 1.4% higher than that in 2010. Clouded by uncertainties about the European debt problem, trading became less active in late 2011. Trading turnover was approximately HK\$17,154.0 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\$53.8 billion. Trading turnover was approximately HK\$13,301.0 billion in 2012. Trading activity regained its momentum in 2013 recording a trading turnover of approximately HK\$15,264.6 billion, representing an increase of approximately 14.8% compared to 2012. The average daily turnover amounted to about HK\$62.6 billion, approximately 16.7% higher than that in 2012. Trading turnover further improved to approximately HK\$17,318.6 billion in 2014, representing an increase of approximately 13.5%. The average daily trading turnover was approximately HK\$70.0 billion in 2014, an increase of approximately 11.1% compared with approximately HK\$62.6 billion for the same period in 2013.

Hang Seng Index

The chart below sets out the Hang Seng Index from 1 January 2010 to 31 December 2014.

Hang Seng Index from January 2010 to December 2014



Source: Hang Seng Indexes Company Limited

As shown in the graph, the Hang Seng Index gradually increased and reached its peak at around 25,000 index points in November 2010. Subsequent to 2010, the index dropped to less than 20,000 index points in 2011 and increased back to the range of 21,100 to 25,300 index points during 2014.

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Exchange Participants

In order to trade in securities through the trading facilities of the Stock Exchange, a participant shall, among other things, hold a trading right and be an Exchange Participant. It must also be a corporation licensed under the SFO to carry out Type 1 (dealing in securities) regulated activity and comply with the financial resources requirements as specified by the FRR and the Stock Exchange.

As at 31 December 2014, there were 540 Exchange Participants including 500 trading Exchange Participants and 40 non-trading Exchange Participants.

Exchange Participants are divided into three categories by the Stock Exchange based on their market share:

- (a) Category A (the top 14 firms in terms of their share of the total market turnover);
- (b) Category B (firms ranked from 15 to 65 based on their share of the total market turnover); and
- (c) Category C (the remaining stockbrokers in the stock market).

SECURITIES BROKERAGE INDUSTRY IN HONG KONG

Entry barrier

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

Competition

The rapid increase in the trading turnover of the stock market in Hong Kong has created strong demand for the local securities brokerage industry, but at the same time competition had also been increasing in recent years. As at 31 December 2014, there were 500 trading Exchange Participants and 40 non-trading Exchange Participants. Below is the distribution of market participants' market shares from 2010 to 2013:

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Year	Category A (Position 1 to 14)	Category B (Position 15 to 65)	Category C (Position 66 and above)
2010	51.08%	36.15%	12.77%
2011	53.63%	35.00%	11.37%
2012	57.72%	31.83%	10.45%
2013	55.97%	32.54%	11.49%

Source: HKEx fact book 2013

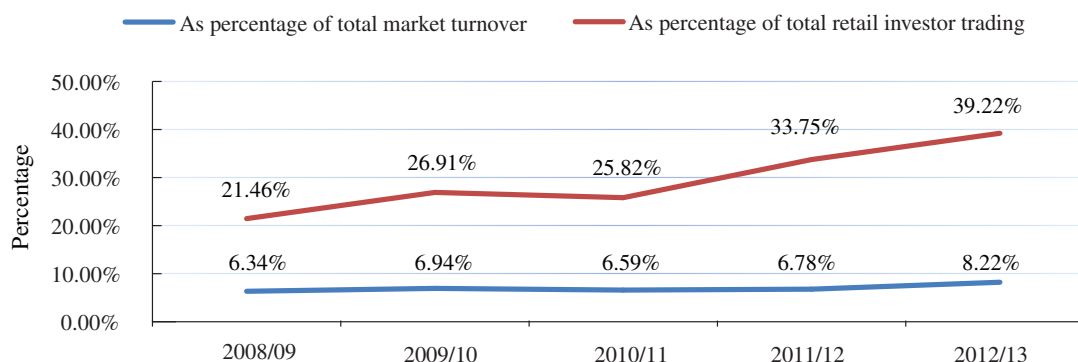
Note: The table includes all Exchange Participants that had paid transaction levies, investor compensation levies (if applicable) and trading fees to the Stock Exchange. The Exchange Participants are classified into Category A, Category B or Category C participants by the Stock Exchange in terms of their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

As illustrated above, the securities brokerage business in Hong Kong is dominated by certain large firms, in particular those in Category A. The top 14 firms accounted for more than 50.0% of the market turnover in the past few years thus leaving competition among firms in Category B and Category C to intensify.

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

Online securities brokerage

Percentage share of retail online trading value from 2008/09 to 2012/13



Source: Cash Market Transaction Survey 2012/13

According to the "Cash Market Transaction Survey 2012/13" published by the Stock Exchange in February 2014, the number of brokers that offer online trading services to retail investors increased from 173 in the 2008/09 survey (or approximately 42.0% of all surveyed brokers) to 250 in the 2012/13 survey (or approximately 55.0% of all surveyed brokers), representing an increase of approximately 44.5%. The share of retail online trading value had risen from approximately 21.5% of total retail investor trading during the period from October 2008 to September 2009 to approximately 39.2% of total retail investor trading during the period from October 2012 to September 2013.

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Cash Market Transaction Survey (2008/09 – 2012/13)

	2008/09	2009/10	2010/11	2011/12	2012/13
Respondent sample size	410	409	431	453	457
Online brokers					
Number of online brokers	173	185	209	245	250
As percentage of all responding Exchange Participants	42%	45%	48%	54%	55%
Online trading					
Online trading value (HK\$ million)	921,416	1,095,691	1,252,109	919,187	1,235,360
As percentage of total retail investor trading	21.46%	26.91%	25.82%	33.75%	39.22%
As percentage of total market turnover	6.34%	6.94%	6.59%	6.78%	8.22%

Source: Cash Market Transaction Survey 2012/13

As indicated in the "Guidance Note on Internet Regulation" issued by the SFC in March 1999, in general, the SFC will not seek to regulate securities dealing conducted over the Internet that originate outside Hong Kong, provided that such activities are not detrimental to the interests of the investing public in Hong Kong. The SFC would expect registered persons to put in place additional operational measures if they intend to conduct securities dealing, commodity and futures trading and leveraged foreign exchange trading activities over the Internet. These measures cover aspects of suitability and general conduct, order handling and execution, system integrity, responsible personnel, written procedures, customer agreements, record keeping and reporting.

RETAIL INVESTORS

According to the findings of the "Retail Investor Survey 2011" conducted by the Stock Exchange, in December 2011, approximately 35.8% of the Hong Kong adult population (equivalent to approximately 2.2 million individuals) were retail investors in stocks and/or derivatives traded on HKEx, of which approximately 33.8% of the adult population were stockowners, approximately 35.7% were stock investors, and approximately 2.0% were derivatives investors.

The typical Hong Kong retail stock investor was 47 years old, with matriculation or above education, a monthly personal income of about HK\$16,250 and a monthly household income of about HK\$35,000.

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SECURITIES AND IPO MARGIN FINANCING

Hong Kong has seen a significant growth in its stock market activities in recent years. This provided the Authorised Institutions with more opportunities to participate in IPOs, whether as a lending Authorised Institutions to finance the subscription for new shares or as a receiving bank. Lending Authorised Institutions means an Authorised Institutions which extends credit facilities to its customers for the purpose of: (i) facilitating their subscription for new shares in an IPO; (ii) financing their acquisition or holding of shares in listed stocks (in the case of lending to investors); or (iii) financing their business operations (in the case of lending to stockbrokers).

According to the statutory guideline "New share subscription and share margin financing" of the "Supervisory Policy Manual" issued by the HKMA in January 2007, lending Authorised Institutions should apply a reasonable margin requirement on their lending to individual customers. The market norm is a 10.0% margin on such lending. This requirement may be satisfied by the deposit of collateral (in the form of cash or securities) with the lending Authorised Institutions or by setting an appropriate loan-to-value ratio. Lending Authorised Institutions should exercise prudence in setting the ratios having regard to the underlying financial strength, liquidity and price volatility of individual stocks. As a reference, the current market norms are: (i) around 50.0-60.0% for blue chips (with higher ratios of 70.0% adopted by lending Authorised Institutions which specialise in share margin financing and have the expertise and sophisticated risk management systems to control the risks involved); and (ii) around 30.0-40.0% or below for selected second and third liners. Such market norms may change from time to time according to market situations.

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

	As at 31 December			
	2010	2011	2012	2013
Number of active margin customers	132,101	135,201	139,375	150,545
Amounts of receivables from margin customers (HK\$ million)	58,468	50,171	58,812	85,794
Average collateral coverage (<i>Note</i>)	4.7 times	3.9 times	4.2 times	3.9 times

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

Note: The number of times the aggregate market value of securities collateral deposited by borrowers over the total amounts of margin loan due from these margin borrowers on a given date on an industry-wide basis.

The number of active margin finance borrowers increased from 132,101 in 2010 to 150,545 in 2013, representing an increase of approximately 14.0%. Following the increase in the number of active margin finance borrowers, the amounts of receivables from margin

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finance customers also showed a general upward trend and increased from approximately HK\$58.5 million in 2010 to approximately HK\$85.8 million in 2013, representing an increase of approximately 46.7%.

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 licensed banks, restricted licensed 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" of 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 seven years, the number of licensed money lenders has been on the rise in the corresponding period, with an average annual growth rate of approximately 8.2%. The following table sets out the number of Authorised Institutions and licensed money lenders in Hong Kong from 2010 to 31 December 2014.

Number of Authorised Institutions and licensed money lenders in Hong Kong

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

Sources: HKMA and Companies Registry of Hong Kong

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Up until 31 December 2014, a total of 1,319 new and renewal applications for registration as money lenders in Hong Kong were received by the Registrar of Companies, among which 1,244 were granted or renewed. As at 31 December 2010, 2011, 2012, 2013 and 2014 there were 784, 829, 959, 1,120 and 1,309 licensed money lenders in Hong Kong respectively. Details regarding the key requirements for licensed money lenders in Hong Kong are set out in the section headed "Regulatory overview" of this document. The following table sets out the number of applications and approvals of Money Lenders Licences from 1 January 2010 to 31 December 2014.

Applications for money lenders licence received/granted

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

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. In contrast to the comprehensive statistics published by the HKMA in relation to Authorised Institutions, we are not aware of any official industry or market research conducted on licensed money lenders in Hong Kong, nor any official publication from the Money Lenders Unit of the Companies Registry revealing the operating details of individual licensed money lenders and of the industry as a whole. As the overall market size cannot be determined, we are not able to ascertain the market share of our Group and other major players in the Hong Kong money lenders market during the Track Record Period.