Prospective investors should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountants' Report in Appendix I to this document. Our Group's combined financial statements have been prepared in accordance with the accounting policies which conform with HKFRSs. Prospective investors 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, prospective investors should refer to the section "Risk factors" in this document.

OVERVIEW

We are a Hong Kong-based financial services provider principally engaged in providing bespoke services encompassing (i) securities brokerage; (ii) securities-backed lending; and (iii) placing and underwriting.

Our income is mainly derived from (i) commission income from securities brokerage services, which is recognised on a trade-date basis; (ii) interest income from securities-backed lending services, which is accrued on a time basis on the principal outstanding amounts at applicable interest rates; and (iii) commission income from placing and underwriting services, which is recognised in accordance with the terms of the underlying agreements or deal mandates when relevant significant acts have been completed (i.e. when shares are allotted). Details of the breakdown of the revenue by business activities of our Group are set out in note 7 in Section II of the Accountants' Report contained in Appendix I to this document.

BASIS OF PREPARATION

The financial information has been prepared by our Directors based on the accounting policies which conform with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, on the basis of presentation as set out in Section II of the Accountants' Report contained in Appendix I to this document, and no adjustments have been made in preparing the financial information.

CRITICAL ACCOUNTING POLICIES

The preparation of financial information in conformity with the HKFRSs requires our management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The following paragraphs discuss the critical accounting policies applied in preparing our financial statements:

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following basis:

(i) commission income from securities brokerage services is recognised on a trade-date basis when the relevant transactions are executed;

(ii) commission income from placing and underwriting services is recognised when the services are provided;

(iii) interest income is accrued on a time basis on the principal outstanding at the applicable interest rate; and

(iv) handling fee income for ancillary services is recognised when the relevant transactions have been arranged or the relevant services have been rendered.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvement	Over the shorter of 3 years or the remaining lease terms
Furniture, fixtures and equipment	5 years
Computer system and software	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

Intangible assets

Intangible assets acquired separately are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided on a straight-line basis over their useful lives. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses.

For further details on accounting policies, please refer to note 3 in Section II of the Accountants' Report contained in Appendix I to this document.

MAJOR FACTORS AFFECTING THE GROUP'S REVENUE

Due to the business nature of our Group, our business is transaction-driven and our revenue is directly related to the number and size of the transactions undertaken by our Group on behalf of our customers. In addition, our business focuses on the Hong Kong market. Therefore, our Directors consider that the major factors affecting our turnover include:

(i) the performance of the securities market in Hong Kong;

(ii) the intensity of competition in Hong Kong;

(iii) the changes in the laws and regulations governing the securities industry in Hong Kong;

(iv) the movement of interest rates; and

(v) our ability to secure placing and underwriting mandates.

The performance of the securities market in Hong Kong

As disclosed in the section headed "Industry overview" of this document, after a decline in trading activities in late 2011 due to uncertainties about the European debt problem which continued in 2012, trading turnover in the Hong Kong stock market improved in 2013 to approximately HK$15,264.6 billion, representing an increase of approximately 14.8% compared to 2012. The average daily trading turnover for the year ended 31 December 2014 was approximately HK$70.0 billion, an increase of approximately 11.8% compared with approximately HK$62.6 billion in 2013.

Our revenue and financial performance are directly related to securities activities in Hong Kong, on the basis that we can maintain our competitiveness as described below; the higher the trading activities, the higher our income will be.

The intensity of competition in Hong Kong

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 has also been increasing in recent years due to entries of new participants. As at 31 December 2014, there were 500 trading Exchange Participants and 40 non-trading Exchange Participants. Through the expansion of our loan portfolio as detailed in the section headed "Future plans and use of proceeds" of this document and the encouragement of more trading activities amongst our active customers, our Directors believe that our interest income from securities-backed lending services, commission income from securities brokerage services and the market share within the segment of investors with appetites for small- to medium-sized listed companies may improve.

The changes in the laws and regulations governing the securities industry in Hong Kong

The laws and regulations governing the securities industry in Hong Kong may change in a way that may affect our revenue. For example, new laws and regulations may be implemented to change our brokerage commission structure. The amount of liquid capital required for our business which determines the volume and size of transactions that we can conduct may also change. These may in turn affect our revenue. In addition, changes in other relevant laws (for example the Companies Ordinance and the SFO) and regulations (for example the Listing Rules, the GEM Listing Rules and the Takeovers Code) may affect listed companies' abilities to conduct corporate exercises, such as fund raising in the primary market including IPOs and secondary market equity fund raising.

The movement of interest rates

The fluctuation of interest rates may affect our business as generally an increase in interest rates may affect investors' appetite to invest, which may in turn affect our results of operations. Interest rates of our margin financing business may also be affected by the general movement of interest rates.

Our ability to secure placing and underwriting mandates

Placing and underwriting transactions are generally conducted on a best-effort basis. Commission income deriving from our placing and underwriting services is subject to the number of placing exercises we are involved in and/or the amount of funds the customers intend to raise. External factors such as whether the secondary market for fund-raising exercises is active under the prevailing financial market environment may affect the performances of our Group.

RESULTS OF OPERATIONS OF OUR GROUP

The following table sets forth our combined statements of comprehensive income and other financial information for the two years ended 31 December 2013 and 2014, as derived from the Accountants' Report of our Group in Appendix I to this document.

Combined statements of comprehensive income

	Year ended 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Revenue	16,474	33,025
Other income	162	7
	16,636	33,032
Employee benefit expenses	(2,838)	(2,768)
Depreciation	(203)	(204)
Other operating expenses	(2,164)	(2,650)
Finance costs	(247)	–
Listing expenses	–	(1,672)
Profit before income tax	11,184	25,738
Income tax expense	(1,779)	(4,521)
Profit for the year attributable to owners of the Company	9,405	21,217

During the Track Record Period, our Group recorded a revenue of approximately HK$16.5 million and HK$33.0 million and a profit for the year attributable to owners of the Company of approximately HK$9.4 million and HK$21.2 million for the years ended 31 December 2013 and 2014 respectively. Prospective investors should note the fluctuations in our Group's past financial performance as further elaborated below.

Revenue

Our Group's revenue comprises three major components: (i) commission income from securities brokerage services; (ii) interest income from securities-backed lending services (comprising margin financing and money lending activities); and (iii) commission income from placing and underwriting services.

Set out below is the breakdown of revenue by business activities for the years ended 31 December 2013 and 2014.

	Year ended 31 December			
	2013		**2014**	
	HK$'000	*% of revenue*	*HK$'000*	*% of revenue*
Commission income from securities brokerage services	2,153	13.1%	8,610	26.1%
Interest income from securities-backed lending services				
– Margin financing	6,549	39.8%	13,357	40.4%
– Money lending	7,387	44.8%	5,482	16.6%
Commission income from placing and underwriting services	265	1.6%	5,335	16.2%
Handling fee for ancillary services (e.g. deposit/withdrawal of physical shares, bonus shares collection, cash dividend collection, scrip dividend fee, and other corporate actions)	120	0.7%	241	0.7%
Total	16,474	100.0%	33,025	100.0%

Our Group recorded an increase of approximately 100.5% in the total revenue of our Group from approximately HK$16.5 million for the year ended 31 December 2013 to approximately HK$33.0 million for the year ended 31 December 2014. The significant increase in our Group's revenue from 2013 to 2014 was mainly due to (i) the rise in the number of active customers in the same period and the general increase in trading activities of customers, which is in line with the overall increase in the turnover of securities trading in the Hong Kong market as set out in the section headed "Industry overview" of this document; and (ii) the expansion of our Group's loan portfolio. Set out below are analyses of our performances in respect of each business activity.

Commission income from securities brokerage services

Our commission income from securities brokerage services for the year ended 31 December 2014 when compared with the year ended 31 December 2013, increased by approximately 299.9% from HK$2.2 million to HK$8.6 million. The significant increase was due to the increase of trading activities of our customers as indicated by the rise in trading volume from approximately HK$1.4 billion in 2013 to approximately HK$3.8 billion in 2014. Moreover, the average brokerage commission charged by our Group increased from an average of approximately 0.15% in 2013 to an average of approximately 0.22% in 2014. In addition, the increase in the number of active customers from 89 in 2013 to 117 in 2014 also contributed to the overall increase in commission income from securities brokerage services.

During the year ended 31 December 2013, approximately 1.5%, 3.7% and 10.4% of our Group's commission income from securities brokerage services were derived from our executive directors, Mr. Jonathan Cheung and Mr. Henry Cheung and Ms. Chick, the spouse of Mr. Wong Chi Kan who is a director of PSL, respectively. Such income from them, in aggregate, amounted to approximately HK$0.3 million for 2013. During the year ended 31 December 2014, approximately 0.4%, 0.7% and 3.5% of our Group's commission income from securities brokerage services were derived from Mr. Jonathan Cheung, Mr. Henry Cheung and Ms. Chick respectively. Such income from them, in aggregate, amounted to approximately HK$0.4 million for 2014.

Interest income from securities-backed lending services

Our securities-backed lending services comprise of two components, namely our margin financing service and our money lending service, which are conducted through two of our wholly-owned subsidiaries, PSL and PCGL. Customers who obtain margin financing from PSL may only use such financing for securities trading through their brokerage accounts with us, whereas loans obtained from PCGL can be used for purposes other than the purchase of securities through PSL. Interest income from our securities-backed lending services was our Group's major revenue source during the Track Record Period.

Margin financing

Interest income from margin financing services increased by approximately 104.0% from HK$6.5 million for the year ended 31 December 2013 to HK$13.4 million for the year ended 31 December 2014. The substantial increase was primarily due to (i) the expansion of our loan portfolio as evidenced by the increase in our average month-end margin finance loan balance from approximately HK$58.9 million for the year ended 31 December 2013 to approximately HK$90.8 million for the year ended 31 December 2014 and (ii) the increase of active margin financing customers from 50 in 2013 to 74 in 2014. In conjunction, our weighted average margin financing interest also increased from 11.8% per annum in 2013 to 15.5% per annum in 2014, which resulted in higher interest income from margin financing customers.

Money lending

In 2013, our Group granted four loans under our Money Lenders Licence with principal loan amounts aggregating to approximately HK$46.7 million. Interest rates charged by our Group on such loans ranged from 24.0% to 36.0% per annum. Interest income from money lending services decreased by approximately 25.8% from HK$7.4 million to HK$5.5 million principally due to the settlement of loans during the year ending 31 December 2014. As three of the loans were settled in the first half of 2014, interest income derived during the year ended 31 December 2014 was comparably smaller to those generated in 2013.

Commission income from placing and underwriting services

Commission income from placing and underwriting services increased from approximately HK$0.3 million for the year ended 31 December 2013 to approximately HK$5.3 million for the year ended 31 December 2014 as the number and values of placing transactions we had undertaken increased from ten at the value of HK$0.3 million in 2013 to 11 at the value of HK$5.3 million in 2014. For the two years ended 31 December 2013 and 2014, commission rates charged to sellers/issuers and placees were generally in the range of 2.5% to 3.75% and 1.0% to 1.5% respectively. Furthermore, six out of the 11 transactions in 2014 were block trades in which our Group acted as the main placing agent while in 2013, we only acted as the main placing agent for one transaction and all of the other transactions were placing in relation to the issuance of new shares by listed companies in which our Group acted as sub-placing agents. During the Track Record Period, our Group did not underwrite any transactions.

Handling fees

Handling fees represent fees charged to customers for ancillary services such as deposit/withdrawal of physical shares, bonus shares collection, cash dividend collection, scrip dividend fee, and other corporate actions. This amounted to approximately HK$0.1 million for the year ended 31 December 2013 and HK$0.2 million for the year ended 31 December 2014. As the number of active clients increased from 89 in 2013 to 117 in 2014, handling fees for ancillary services charged to customers recorded a corresponding increase. The remaining amount of miscellaneous income represented monthly fees charged to customers who utilised our online real-time stock quote services.

Gross profit

Due to the nature of our Group's business, we do not have any cost of goods sold and hence no gross profit.

Other income

	Year ended 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Arrangement fee	150	–
Bank interest income	2	7
Sundry income	10	–
	162	7

According to the accounting policies of our Group, income (namely commission income from securities brokerage services, interest income from securities-backed lending services and commission income from placing and underwriting services) generated from our business is classified as "Revenue", whilst other income derived incidental to our principal businesses (namely, among other things, arrangement fee and interest income from banks) are classified as "Other income".

As disclosed in the table above, other income during the Track Record Period consisted of arrangement fee, bank interest income and sundry income. During the year ended 31 December 2013, we derived an arrangement fee of HK$150,000 for a one-off service to safe-keep a physical share certificate for an existing margin financing customer for a period of approximately six months. Given that this was a one-off transaction, we did not provide such service in 2014 and as such no arrangement fee was recorded in 2014.

Employee benefit expenses

The following table shows the breakdown of the staff costs of our Group during the Track Record Period:

	Year ended 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Salaries and allowances	2,695	2,615
Staff welfare and recruitment	30	21
Contributions to defined contribution retirement benefits scheme		
– staff	99	110
Medical and insurance	14	22
	2,838	2,768

Our staff costs represent salaries and allowances as well as contributions to defined contribution retirement benefits scheme paid and payable to the directors and staff of our Group. To compare our staff costs in relation to our total operating expenses excluding the impact of listing expenses, set out below is a table showing the calculation of the adjusted total operating expenses and the adjusted employee benefit expenses percentage in relation to our operating expenses for illustration purpose only.

	Year ended 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Total operating expenses	5,452	7,294
Less: Listing expenses	–	(1,672)
Adjusted total operating expenses	5,452	5,622
Employee benefit expenses	2,838	2,768
Adjusted employee benefit expenses percentage in relation to total operating expenses	52.1%	49.2%

For illustration purposes, adjusted total operating expenses is calculated by adding the listing expenses to the recognised operating expenses for the years ended 31 December 2013 and 2014. Staffs are key assets of our Group and staff costs is a major expense item of our Group which accounted for approximately 52.1% and 49.2% of our total operating expenses, excluding listing expenses, for the years ended 31 December 2013 and 2014 respectively. We had ten employees and 11 employees for the year ended 31 December 2013 and 2014 respectively. Employee benefit expenses remained relatively stable for the two years ended 31 December 2013 and 2014.

Other operating expenses

The following is a breakdown of the other operating expenses (excluding listing expenses) during the Track Record Period:

	Year ended 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Rent, rate & management fee	1,352	1,355
Professional fee	15	185
Entertainment and marketing fee	45	76
CCASS charges	93	211
Stock information subscription fee	357	382
Repair and maintenance	18	22
Auditor's remunerations	76	183
Others	208	236
	2,164	2,650

Other operating expenses mainly comprised rent, stock information subscription fee, and other miscellaneous expenses. It accounted for approximately 39.7% and 36.3% of the total operating expenses of our Group for the years ended 31 December 2013 and 2014 respectively.

Other operating expenses increased from approximately HK$2.2 million for the year ended 31 December 2013 to approximately HK$2.7 million (excluding listing expenses) for the year ended 31 December 2014. Such increase was mainly due to the increase in professional fees incurred in relation to the enhancement of internal controls for our operations, CCASS charges and auditor's remuneration. The rise in CCASS charges corresponded to the increase in trading volume from approximately HK$1.4 billion in 2013 to approximately HK$3.8 billion in 2014 resulting from the increase in the number of active clients as well as the expansion of our loan portfolio. For the year ended 31 December 2014, auditor's remuneration increased substantially as higher fee is charged due to the expansion of our Group's operations from 2013 to 2014.

Finance costs

Finance costs incurred for the year ended 31 December 2013 represented the interest paid to an intermediary which is not an Authorised Institution in relation to the margin loan obtained by our Group. Please refer to the paragraph headed "Historical compliance matters" in the section headed "Business" of this document for details. As the arrangement was terminated in 2013, there were no such interest expenses for the year ended 31 December 2014.

Net profit and adjusted profit for the year (before income tax)

Our net profit was approximately HK$9.4 million and HK$21.2 million for the years ended 31 December 2013 and 2014 respectively. Net profit of our Group recorded an increase from the year ended 31 December 2013 to the year ended 31 December 2014, which is in line with the increase in our revenue. For details, please refer to the paragraph headed "Key financial ratios" in this section.

To compare the profitability of our Group excluding the impact of listing expenses, set out below is a table showing the calculation of the adjusted profit (before income tax) and the adjusted profit margin (before income tax) for the years ended 31 December 2013 and 2014 based on the combined statements of comprehensive income extracted from the Accountants' Report contained in Appendix I to this document for illustration purpose only.

	Year ended 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Profit before income tax	11,184	25,738
Add: Listing expenses	–	1,672
Adjusted profit for the year (before income tax)	11,184	27,410
Revenue	16,474	33,025
Adjusted profit margin (before income tax)	67.9%	83.0%

For illustration purposes, adjusted profit (before income tax) is calculated by adding the listing expenses recognised to the profit before income tax for the years ended 31 December 2013 and 2014. Adjusted profit margin (before income tax) increased from approximately 67.9% to 83.0% for the year ended 31 December 2013 and 2014 respectively. Such increase was mainly due to the significant increase in transaction volume in 2014. As most operating expenses are fixed in nature, adjusted profit margin (before income tax) increased.

LIQUIDITY AND FINANCIAL RESOURCES

During the Track Record Period, our working capital and other capital requirements were principally satisfied by cash generated from our financing and operating activities.

The following table summarises our cash for the period indicated:

	Year ended 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Cash and cash equivalents at the beginning of the year	11,733	14,815
Net cash (used in)/generated from operating activities	(110,030)	60,962
Net cash (used in)/generated from investing activities	(34)	5
Net cash generated from/(used in) financing activities	113,146	(35,270)
Net increase in cash and cash equivalents	3,082	25,697
Cash and cash equivalents at the end of the year	14,815	40,512

Cash flows from operating activities

Cash flow from operating activities reflected profit for the year adjusted for non-cash items such as depreciation, the effects of cash flows arising from increases or decreases in statutory deposits, trade receivables, loans receivable, prepayments, deposits and other receivables, balances with related companies and directors, bank balance held on behalf of customers and trade payables and other payables and accruals, and tax payments as well as bank interest income. We have classified customers' monies as cash held on behalf of customers under the current assets in the combined statement of financial position and we are not allowed to use customers' monies to settle our own obligations.

Operating activities incurred a net outflow of approximately HK$110.0 million for the year ended 31 December 2013 and a net inflow of approximately HK$61.0 million for the year ended 31 December 2014. As mentioned in the section headed "History, Reorganisation and corporate structure", our Group commenced business operations in December 2012. During the year ended 31 December 2013, our Group began carrying out revenue-generating business and our trade receivables and loans receivables increased from nil to approximately HK$127.5

million which resulted in a significant cash outflow from operating activities. During the year ended 31 December 2014, the net cash inflow from operating activities mainly resulted from the combined effects of settlement of loans receivable from customers and the increase in trade payables and operating profit before working capital due to the increase in the amount of executed transactions.

Cash flows from investing activities

Cash flows from investing activities comprised payment for the purchase of property, plant and equipment amounting to HK$36,000 and HK$2,000 and bank interest income received amounting to HK$2,000 and HK$7,000 for the years ended 31 December 2013 and 2014 respectively.

Cash flows from financing activities

Cash flows from financing activities primarily consisted of advances from and repayments to related companies and directors. For further details, please refer to the paragraphs headed "Amounts due to/from related companies" and "Amounts due to directors" in this section.

Net cash generated from financing activities for the year ended 31 December 2013 was approximately HK$113.1 million due to net advances from related companies and directors amounting to HK$61.3 million and HK$51.8 million respectively. For the year ended 31 December 2014, net cash of HK$35.3 million was used in financing activities due to net repayments to related companies and directors amounting to HK$2.7 million and HK$32.6 million respectively.

Working capital

[Our Directors are of the opinion, and the Sponsor concurs, that taking into account the amount of net proceeds of the [**REDACTED**], our internal resources and the available overdraft facilities, we have sufficient working capital and financial resources to meet our present working capital requirements for at least the next 12 months from the date of this document.]

Capital commitments

As at 31 December 2014, our Group did not have any significant capital commitments.

Financial resources

Prior to the completion of the [**REDACTED**], our operations will be financed principally by cash generated from business operation. As at 31 December 2014, our Group had cash and bank balances of approximately HK$40.5 million. We intend to finance our future operations, capital expenditure and other capital requirements with the cash generated from business operations, cash and bank balances available and the net proceeds of the [**REDACTED**].

As all of our Group's operations are in Hong Kong, all of our revenue from external customers of our Group are derived from activities in Hong Kong. Our Directors consider that we will have sufficient foreign exchange, primarily from the conversion of Hong Kong dollars generated from our operations, to meet our foreign exchange liabilities as they become due.

Combined statements of financial position

As at 31 December 2013 and 2014, our Group had net assets of approximately HK$8.8 million and HK$31.1 million respectively. Details of the components are set out as follows:

	As at 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Property, plant and equipment	517	315
Intangible asset	500	500
Statutory deposits placed with the Stock Exchange and the clearing house	205	230
	1,222	1,045
CURRENT ASSETS		
Trade receivables	82,774	101,938
Loans receivable	44,700	–
Other receivables, deposits and prepayments	425	861
Amounts due from related companies	12	547
Tax recoverable	–	64
Trust bank balances held on behalf of customers	10,051	19,174
Cash and bank balances	14,815	40,512
	152,777	163,096
CURRENT LIABILITIES		
Trade payables	16,455	38,618
Other payables and accruals	189	767
Amounts due to related companies	60,944	90,441
Amounts due to directors	65,790	–
Tax payable	1,779	3,256
	145,157	133,082
NET CURRENT ASSETS	7,620	30,014
TOTAL ASSETS LESS CURRENT LIABILITIES/NET ASSETS	8,842	31,059
CAPITAL AND RESERVES		
Share capital	–	1,000
Reserves	8,842	30,059
TOTAL EQUITY	8,842	31,059

Current assets comprised mainly (i) trade receivables; (ii) loans receivable; (iii) trust bank balances held on behalf of customers; and (iv) cash and bank balances. When compared to the amounts as at 31 December 2013, trade receivables, trust bank balances held on behalf of customers and cash and bank balances as at 31 December 2014 increased by approximately 23.2%, 90.8% and 173.5% respectively. Meanwhile, loans receivable decreased from HK$44.7 million as at 31 December 2013 to nil as at 31 December 2014. Further analysis are discussed below.

Current liabilities mainly comprised of trade payables, amounts due to related companies and amounts due to directors. When compared to the amounts as at 31 December 2013, trade payables and amounts due to related companies as at 31 December 2014 increased by approximately 134.7% and 48.4% respectively. Amounts due to directors decreased from HK$65.8 million as at 31 December 2013 to nil as at 31 December 2014. Further analysis is set out below.

Net current assets

As at 31 December 2013, we had net assets of approximately HK$8.8 million, comprising non-current assets of property, plant and equipment, intangible asset and statutory deposits placed with the Stock Exchange and HKSCC of approximately HK$1.2 million in aggregate and net current assets of approximately HK$7.6 million.

As at 31 December 2014, we had net assets of approximately HK$31.1 million, comprising non-current assets of property, plant and equipment, intangible asset and statutory deposits placed with the Stock Exchange and HKSCC of approximately HK$1.0 million in aggregate and net current assets of approximately HK$30.0 million.

Our net current assets position increased from approximately HK$7.6 million as at 31 December 2013 to approximately HK$30.0 million as at 31 December 2014 due to combined effects of (i) the increase in trade receivables which resulted from the expansion of our Group's loan portfolio; (ii) the increase in cash and bank balances; and (iii) the settlement of the amounts due to our Directors.

Intangible asset

The balance of HK$0.5 million as at 31 December 2013 and 2014 represented the trading right of our Group to trade securities on or through the Stock Exchange. Our Directors are of the view that such trading right has indefinite useful lives due to the fact that there is no foreseeable limit on the period over which the trading right is expected to generate cash flows to our Group. Nonetheless, such right is tested for impairment annually and whenever there is an indication that it may be impaired.

Trade receivables

Trade receivables included receivables from margin financing clients, cash account clients, HKSCC and money lending clients. The following table sets forth the breakdown of trade receivables as at 31 December 2013 and 2014:

	As at 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Trade receivables arising from the business:		
– Margin financing clients	73,647	101,889
– Money lending clients	2,167	–
– Cash account clients	–	49
– HKSCC	6,960	–
	82,774	101,938

The settlement terms of trade receivables from customers and HKSCC are on T+2 settlement basis. Trade receivables from HKSCC related to the amount receivable in respect of securities sold and pending T+2 settlement from other securities houses. Balances with HKSCC as at the year end date represent the net amount of sold and purchased securities, of which the outstanding balances have not been settled due to the T+2 settlement basis. There was no trade receivables from HKSCC as at 31 December 2014, as the values of the purchased securities pending settlement was greater than that of the sold securities and hence, there was a payable balance instead. For further details, please refer to the paragraph headed "Trade Payables" in this section. Trade receivables from cash account clients relate to purchase transactions by clients that are executed but not yet settled in cash pursuant to the T+2 settlement basis. The outstanding amount from cash account clients as at 31 December 2014 had been subsequently fully settled.

During the year ended 31 December 2013, our Group granted four loans under our Money Lenders Licence with principal amounts aggregating to approximately HK$46.7 million at interest rates ranging from 24.0% to 36.0% per annum. As at 31 December 2013, trade receivables due from money lending clients represented the interest income receivable. All loans were settled by the year ended 31 December 2014 and subsequently, our Group did not grant any new loans.

Trade receivables from margin financing clients of our securities-backed lending services relate to securities purchases on credit by customers having margin accounts with our Group. The margin finance loans were secured by customers' pledged securities and bore interest rates ranging from 10.5% to 14.5% per annum for the year ended 31 December 2013 and from 12.5% to 20.0% per annum for the year ended 31 December 2014.

Trade receivables arising from margin finance loans increased from approximately HK$73.6 million as at 31 December 2013 to HK$101.9 million as at 31 December 2014, which is in line with the expansion of our margin loan portfolio over the period.

Margin financing customers purchase securities on credit and are not required to settle their margin financing loans within specified periods as long as the value of the margin financing loan and securities collaterals remain within the agreed leverage ratio, which is the main indicator of whether our Group will continue to grant the margin facilities to the customer or not. Our Group charges the margin financing customers interest on the outstanding margin financing loan, which in turn would gradually increase the outstanding margin financing loan amount.

Due to the abovementioned nature of margin financing loans, receivables from margin financing customers were not past due. The ageing and subsequent settlement status of such receivables as at a particular date is of no significance and not meaningful.

Set out below is the breakdown of the trade receivables of our Group arising from our margin financing clients, cash account clients, money lending clients and HKSCC as at 31 December 2013 and 2014:

	As at 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Current	82,187	101,889
Less than 1 month past due	587	49
1 to 3 months past due	–	–
Amounts past due	587	49
Total amounts of trade receivables	82,774	101,938

As at 31 December 2013, the past due amount of approximately HK$0.6 million was due from money lending clients, while the past due amount of HK$49,000 as at 31 December 2014 was due from cash account clients. These balances had been fully settled as at the Latest Practicable Date.

Loans receivable

During the year ended 31 December 2013, our Group granted four loans under our Money Lenders Licence with principal loan amounts aggregating to approximately HK$46.7 million, of which HK$2.0 million had been partially settled during the year ended 31 December 2013. The remaining balances of all four loans were fully settled during the year ended 31 December 2014.

Other receivables, deposits and prepayments

The balance of other receivables, deposits and prepayments as at 31 December 2013 mainly represented rental deposits of approximately HK$392,000 for the office premises which our Group is situated. As at 31 December 2014, aside from the abovementioned rental deposits of HK$392,000, our Group also recorded prepaid listing expenses of approximately HK$451,000.

Amount due to/from related companies

As at 31 December 2013, amounts due from related companies represented HK$6,000 due from Blackbox Capital Limited and HK$6,000 due from Gryphuz Advisory Limited (formerly known as "Pinestone Advisory Limited") while the entire amount of HK$547,000 as at 31 December 2014 was due from Gryphuz Advisory Limited. Both of these companies are wholly-owned subsidiaries of PGL. The outstanding balances represented operational expenses paid on behalf of these companies. The balance had been subsequently settled as at the Latest Practicable Date.

Set out below is the breakdown of the amounts due to related companies of our Group as at 31 December 2013 and 2014:

	As at 31 December	
	2013	**2014**
	HK$'000	*HK$'000*
Amount due to PGL	60,910	90,441
Amount due to Grit Capital Limited	34	–
	60,944	90,441

PGL is owned as to 70.0% by Mr. Henry Cheung and 30.0% by Mr. Jonathan Cheung, who are both executive Directors. Prior to the Reorganisation, PCGL, PIGL and PSL were wholly-owned by PGL. Since the Reorganisation, these companies have been wholly-owned subsidiaries of our Group. For details, please refer to the section headed "History, Reorganisation and corporate structure". The amount due to PGL as at 31 December 2014 together with any subsequent changes in such balance will be capitalised upon the completion of the Reorganisation. Grit Capital Limited is a wholly-owned subsidiary of PGL. The amount due to Grit Capital Limited represented the net remaining balance with our Group arising from expenses paid on behalf of Grit Capital Limited or vice versa. The balance with Grit Capital Limited had been fully settled during the year ended 31 December 2014.

Trade payables

The settlement terms of trade payables arising from brokerage activities are on a T+2 settlement basis.

Trade payables as at a particular day is principally affected by (i) the deposits placed with us by our customers in their respective accounts for trading purposes; and (ii) the amount owing to customers who had sold shares through their respective accounts with our Group within the T+2 period which had not been settled.

Set out below is the breakdown of the trade payables of our Group as at 31 December 2013 and 2014:

	As at 31 December	
	2013	2014
	HK$'000	*HK$'000*
Trade payables arising from the business:		
– Margin financing clients	11,371	18,209
– Cash account clients	5,084	1,538
– HKSCC	–	18,871
	16,455	38,618

Trade payables to cash account clients and margin financing clients in aggregate, amounted to approximately HK$19.7 million as at 31 December 2014, which is approximately HK$3.2 million higher when compared with the aggregate amount of approximately HK$16.5 million as at 31 December 2013. This is in line with the expansion of our margin loan portfolio and the increase in the number of active clients during the period. Included in trade payables as at 31 December 2013 and 2014 were payables to clients of approximately HK$10.1 million and HK$19.2 million respectively with regards to trust and segregated bank balances received and held for the clients.

Balances with HKSCC as at year end represent the net amount of sold and purchased securities, of which the outstanding balances have not been settled due to the T+2 settlement basis. As at 31 December 2014, the value of the purchased securities pending settlement was greater than that of the sold securities and hence, resulted in a payable balance. Our Directors confirm that trade payables to HKSCC had subsequently been fully settled.

Amounts due to Directors

The amounts due to Directors as at 31 December 2013 represented approximately HK$30.5 million due to Mr. Jonathan Cheung and approximately HK$35.3 million due to Mr. Henry Cheung, who are both executive Directors. The balances represented funds provided to our Group for the expansion of our loan portfolio. The balances had been fully settled during the year ended 31 December 2014.

Credit facilities from banks

As at 31 December 2014, our Group had two overdraft facilities of HK$12.0 million and HK$10.0 million, respectively, with two banks. Pursuant to the relevant agreement with a facility of HK$12.0 million, interest is charged at 1.25% per annum below the bank's Hong Kong Dollar Prime Rate or 1.0% over the HIBOR, whichever is higher. This bank overdraft facility is repayable on demand and is secured by the following:

– fixed deposit for not less than HK$10.0 million or its 103.0% equivalent in USD or its 110.0% equivalent in other foreign currency; and

– joint and several personal guarantees to be executed by our two executive Directors, Mr. Henry Cheung and Mr. Jonathan Cheung for not less than HK$12.0 million. These personal guarantees given by Mr. Henry Cheung and Mr. Jonathan Cheung will be released upon the Listing and replaced by a corporate guarantee by our Company.

Pursuant to the relevant agreement with a facility of HK$10.0 million, interest is charged at the Hong Kong Dollar Prime Rate or such other rate(s) as this bank may determine from time to time. This bank overdraft facility is repayable on demand and is secured by a guarantee and indemnity of HK$10.0 million duly executed by our executive Director, Mr. Henry Cheung. This guarantee given by Mr. Henry Cheung will be released upon the Listing and replaced by a corporate guarantee by our Company.

During the Track Record Period, our Group had not utilised the above credit facilities. Subsequent to 31 December 2014, we had utilised $4.0 million of the first abovementioned facility, which had been fully settled as at 31 January 2015.

Dividend policy

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

A dividend of HK$30.0 million was declared by our Company for the year ended 31 December 2014. Such dividend will be settled prior to the Listing.

Currently, we do not have any predetermined dividend distribution ratio. Prospective investors should note that the historical dividend trends may not be indicative of future dividend trends.

IMPACT OF LISTING EXPENSES

The listing expenses represent the fees and costs incurred for [**REDACTED**] and the listing of new Shares on GEM. As the [**REDACTED**] is the [**REDACTED**], but the listing of existing and new Shares is not, the listing expenses are required to be allocated between the two transactions with reference to the proportion of the number of [**REDACTED**] to be issued to the total number of Shares in issue upon Listing. Since the number of [**REDACTED**] to be issued represents [**REDACTED**]% of the total number of Shares in issue upon Listing, listing expenses that are not clearly separable are allocated to equity and profit or loss on a [**REDACTED**] proportion.

Our Directors are of the view that the listing expenses in relation to the Listing would have an impact on the financial results of our Group for the year ending 31 December 2015. The estimated listing expenses are approximately HK$15.0 million, of which approximately HK$5.0 million is directly attributable to the issue of [**REDACTED**] under the [**REDACTED**] and is expected to be accounted for as a deduction from equity. During the two years ended 31 December 2013 and 2014, our Group had recognised listing expenses of approximately nil and HK$1.7 million respectively, in the combined statement of comprehensive income. The remaining listing expenses of approximately HK$8.3 million are expected to be charged to the combined statement of comprehensive income of our Group for the year ending 31 December 2015.

Our Directors would like to emphasise that the listing expenses in relation to the Listing is a current estimate for reference only and the final amount to be recognised in the equity and the statements of comprehensive income of our Group for the year ending 31 December 2015 are subject to adjustment based on audit and the then changes in variables and assumptions.

KEY FINANCIAL RATIOS

	Year ended 31 December		
			Adjusted
	2013	**2014**	**2014**
			(Note 1)
Net profit margin	57.1%	64.2%	64.2%
Return on equity	106.4%	68.3%	17.5%
Return on total assets	6.1%	12.9%	12.9%
Current ratio	1.1 times	1.2 times	3.8 times
Quick ratio	1.1 times	1.2 times	3.8 times
Gearing ratio	–	–	–

Note:

1. Upon completion of the Reorganisation, amount due to a related company would be capitalised. For illustration purposes, we present our adjusted financial ratios on the assumption that approximately HK$90.4 million of our Group's amount due to a related company as at 31 December 2014 had been capitalised.

Net profit margin is calculated by dividing profit for the year attributable to the owners of our Company by revenue of the respective year. Net profit margin increased from approximately 57.1% to 64.2% for the years ended 31 December 2013 and 2014 respectively, mainly due to the rise in the number of active customers and the general increase in trading activities of customers, which is in line with the overall increase in the turnover of securities trading in the Hong Kong market, and the expansion of our Group's loan portfolio. In addition, since certain operating expenses are fixed in nature, they remained relatively stable despite the higher revenue for the year ended 31 December 2014.

Return on equity is calculated by dividing net profit for the year by total equity at the end of the respective year. The return on equity of our Group was approximately 106.4% and 68.3% for the years ended 31 December 2013 and 2014 respectively. As disclosed in the section headed "Business" of this document, money lending services are exposed to higher risks as the loan amounts can be used for purposes other than securities trading with PSL. As such, higher interest rates are charged to customers of our money lending service as compared to our margin financing service. Due to the higher interest rates, our money lending service generates a higher return as compared to our margin financing service. Prior to the expansion in our loan portfolio in 2014, money lending activities accounted for a larger portion of our loan portfolio as compared to our margin financing activities. In 2014, due to the settlement of our money lending loans and the increase in our margin financing activities, money lending activities accounted for a lower portion of our loan portfolio as compared to that of 2013. As a result, our return on equity decreased. For illustration purposes, had approximately HK$90.4 million of our amount due to a related company described in Note 1 above been capitalised as at 31 December 2014, we would have instead recorded a return on equity of approximately 17.5%.

Return on total assets is calculated by dividing net profit for the year by total assets at the end of the respective year. Return on total assets was approximately 6.1% and 12.9% for the years ended 31 December 2013 and 2014 respectively. The increase was mainly attributable to the increase in profit as a result of the expansion of our Group's loan portfolio along with the rise in the number of active customers and the general increase in trading activities of customers. Furthermore, as disclosed in the paragraph headed "Revenue" in this section, the increase in commission income from placing and underwriting services and securities brokerage services also contributed to the significant increase in the overall profit of our Group and hence, the return on total assets increased accordingly. As discussed in the abovementioned Note 1, HK$90.4 million of our amount due to a related company would be capitalised upon the completion of the Reorganisation. However, this would not affect the total assets. Hence, had the abovementioned HK$90.4 million of our amount due to a related company been capitalised as at 31 December 2014, the return on total assets remained unchanged at approximately 12.9%.

Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective year. The current ratio remained stable at approximately 1.1 times and 1.2 times as at 31 December 2013 and 2014 respectively. The amount due to a related company of HK$90.4 million as at 31 December 2014 together with any subsequent changes in such balance will be capitalised upon the completion of the Reorganisation, which would reduce our current liabilities and in turn give rise to improvement in our current ratio. Had the HK$90.4 million of our amount due to a related company been capitalised as at 31 December 2014, we would have instead recorded a current ratio of 3.8 times.

Quick ratio is calculated by dividing current assets (excluding inventory) by current liabilities as at the end of the respective year. The quick ratio is the same as the current ratio since our Group does not maintain any inventory. Therefore, had the HK$90.4 million of our amount due to a related company been capitalised as at 31 December 2014, we would have instead recorded a quick ratio of 3.8 times.

Gearing ratio is calculated by dividing total debt by total assets as at the end of the respective year. No gearing ratio is calculated since we did not have any interest bearing liabilities during the Track Record Period.

INDEBTEDNESS

Borrowings

As at [31 December 2014], being the latest practicable date for the purpose of this statement of indebtedness, the Group had an amount due to a related company, which was unsecured, interest free and repayable on demand. The amount will be settled upon the completion of the Reorganisation. Other than this, the Group did not have any outstanding borrowings or overdrafts, and had not utilised any of the facilities.

Security

As at [31 December 2014], being the latest practicable date for the purpose of this statement of indebtedness, the Group did not have any mortgages or charges.

Contingent liabilities

As at [31 December 2014], being the latest practicable date for the purpose of this statement of indebtedness, the Group did not have any guarantees or other material contingent liabilities.

Save as aforesaid and as otherwise mentioned in the paragraphs headed "Borrowings" and "Contingent liabilities" above and apart from intra-group liabilities and normal trade payables, the Group did not have any 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 [31 December 2014].

Our Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 December 2014 and up to the Latest Practicable Date.

Our Directors have confirmed that as at the Latest Practicable Date, we had no external financing plans and no material covenants relating to our overdraft facilities. In addition, our Directors have confirmed that there have been no material defaults in payment during the Track Record Period.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 14 January 2015 and has not carried out any business since the date of our incorporation save for the transactions related to the Reorganisation. Accordingly, there was no reserve available for distribution to the Shareholders as at 31 December 2014.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of our Group, which has been prepared in accordance with paragraph 7.31 of the GEM Listing Rules, is for illustrative purposes only, and is set forth to illustrate the effect of the [**REDACTED**] on our Group's combined net tangible assets as of 31 December 2014 as if the [**REDACTED**] had taken place on 31 December 2014.

This unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our Group's combined net tangible assets as of 31 December 2014 or any future date following the completion of the [**REDACTED**]. It is prepared based on our Group's audited combined financial information as of 31 December 2014 as set forth in the Accountants' Report in Appendix I to this document, and adjusted as described below. This unaudited pro forma statement of adjusted combined net tangible assets does not form part of the Accountant's Report as set forth in Appendix I to this document.

	Audited combined net tangible assets of the Group as at 31 December 2014 *HK$'000* *(Note 1)*	**Estimated net proceeds from the [REDACTED]** *HK$'000* *(Note 2)*	**Unaudited pro forma adjusted net tangible assets of the Group** *HK$'000*	**Unaudited pro forma adjusted net tangible assets per Share** *HK$* *(Note 3)*
Based on [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	[30,559]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**]	[30,559]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

1. The audited combined net tangible assets of the Group as at 31 December 2014 are based on audited combined net assets of the Group as at 31 December 2014 of HK$31,059,000 with adjustment for intangible asset of HK$500,000 as shown in the Accountants' Report set out in Appendix I to this document.

2. The estimated net proceeds from the [**REDACTED**] are based on [**REDACTED**] and the [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the low-end of the indicative [**REDACTED**] range between HK$[**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**]) and HK$[**REDACTED**] per [**REDACTED**] (being the high-end of the indicative [**REDACTED**] range between HK$[**REDACTED**] and HK$[**REDACTED**] per [**REDACTED**]), respectively after deduction of the underwriting fees and related expenses payable by the Company of which has not been reflected in net tangible assets of the Group as at 31 December 2014. No account has been taken of any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme.

3. The unaudited pro forma adjusted net tangible assets per Share is calculated based on [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] and the Capitalisation Issue, but takes no account of any Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix IV to this document.

4. The unaudited pro forma adjusted net tangible assets of the Group and the unaudited pro forma adjusted net tangible assets per Share have not taken into account the final dividend in respect of the year ended 31 December 2014 amounting to HK$30,000,000 proposed by the directors on [●] and subsequently paid on [●]. The unaudited pro forma adjusted net tangible assets per Share would have been reduced to HK$[**REDACTED**] per Share, based on [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], or to HK$[**REDACTED**] per Share, based on [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**], after taking into account the payment of the final dividend in the sum of HK$30,000,000.

5. No adjustment has been made to the unaudited pro forma adjusted net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2014.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that as at the Latest Practicable Date, there are no circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

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 rates of 16.5% for the years ended 31 December 2013 and 2014, on the estimated assessable profits of our companies operating in Hong Kong.

For the income tax paid by our Group during the Track Record Period, please refer to note 12 of Appendix I to this document.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the Latest Practicable Date, there has been no material adverse change in the financial or trading position or the prospects of our Group since 31 December 2014, being the date of our Group's latest audited financial statements as set out in Appendix I to this document.