
SUMMARY

This summary aims to give prospective investors an overview of the information contained in this document and should be read in conjunction with the full text of this document. As this is a summary, it does not contain all the information that may be important to prospective investors. Prospective investors should read the whole document before you decide to invest in the [REDACTED].

There are risks associated with any investment in companies listed on GEM. Some of the particular risks relating to investing in the [REDACTED] are set out in the section headed "Risk factors". Prospective investors should read that particular section carefully before deciding to invest in the [REDACTED]. Various expressions used in this summary are defined in the sections headed "Definitions" and "Glossary of technical terms" of 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 by catering to their investment objectives and appetites, in particular, we focus on individual and corporate clients with investment appetites for the securities of small to medium-sized companies listed on the Stock Exchange and are able to offer competitive packages (e.g. accepting wide range of securities as collateral) in a short time frame.

The majority of our business is conducted through our subsidiary, PSL, which is a corporation licensed under the SFO to carry out Type 1 (dealing in securities) regulated activity. PSL conducts our brokerage, margin financing as well as placing and underwriting services. In addition to the abovementioned services, we are also licensed under the MLO to operate a money lending service through our subsidiary, PCGL, which enables us to provide a one-stop securities-backed lending service to our clients. Notwithstanding our short operating history, we are led by an experienced management team under which our Group recorded significant growth in terms of revenue as well as profit within the span of two years. In particular, their decision to expand our loan portfolio and enlarge our client base was the prime driver of our Group's growth during the Track Record Period.

As at 31 December 2014, there were 540 Exchange Participants, comprising 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 Exchange Participants in terms of their share of the total market turnover); (b) Category B (Exchange Participants ranked from 15 to 65); and (c) Category C (the remaining Exchange Participants in the market). During the year ended 31 December 2014, PSL ranked 232 (Category C) out of a total of 492 Exchange Participants (including Category A, B and C) who traded during 2014 and had a market share of approximately 0.01% of the total market turnover.

HISTORY OF OUR GROUP

Mr. Jonathan Cheung acquired PSL in March 2012 with the intention of addressing a gap in the market and catering to investors who are interested in investing in the shares of small to medium-sized companies listed on the Stock Exchange. Mr. Henry Cheung, father of Mr. Jonathan Cheung, having served as a director of PSL since December 2012 and confident in the growth potential of our Group, injected additional funds in our Group to fund its further expansion in May 2013. As at the Latest Practicable Date, our Group was held as to 70.0% by Mr. Henry Cheung, our Chairman, an executive Director and a Controlling Shareholder, and as to 30.0% by Mr. Jonathan Cheung, our Chief Executive Officer and Vice Chairman, an executive Director and a Controlling Shareholder.

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In September 2012, PSL successfully obtained a licence under the SFO to conduct Type 1 (dealing in securities) regulated activity, and in November of the same year, PSL was granted a Stock Exchange Trading Right and was approved as an Exchange Participant with effect from 3 December 2012. In February 2013, PCGL successfully obtained Money Lenders Licence which allowed us to begin our money lending business in the form of securities-backed lending in Hong Kong.

BUSINESS MODEL

Competitive strengths

It is our Directors' view that our Group possesses the following competitive strengths: (i) our lean organisational structure, which allows us to offer a quick and efficient service to our customers; (ii) the complementary nature of our services, which allows us to cross-sell our various services to our clients; and (iii) the extensive personal networks of our management, which help us to access our target customers and maintain strong relationships with them.

Business strategies

To leverage on our competitive strengths, we have defined our business strategies to be (i) we focus on clients with investment appetites for the securities of small to medium-sized listed companies; (ii) we offer tailor-made services to cater for the specific objectives of our clients; and (iii) we leverage on synergies between our different services to offer a more comprehensive service to our clients.

Principal business

Commission and interest rates

Set out below are the various rates we generally charged in relation to our principal business activities during the Track Record Period:

	For the year ended 31 December	
	2013	2014
1. Securities brokerage commission	0.05% to 0.25%; minimum commission of HK\$80.0	0.05% to 0.25%; minimum commission of HK\$80.0
2. Securities backed lending:		
– <i>Margin financing interest</i>	10.5% to 14.5% per annum	12.5% to 20.0% per annum
– <i>Net margin finance interest (Note 1)</i>	4.3% to 14.5% per annum	12.5% to 20.0% per annum
– <i>Money lending interest (Note 2)</i>	24.0% to 36.0% per annum	24.0% to 36.0% per annum
3. Placing or underwriting commission	For sellers/issuers: HK\$0.2 million (<i>Note 3</i>) For placees: 1.0% to 1.5%	For sellers/issuers: 2.5% to 3.75% For placees: 1.0% to 1.25%

Notes:

- During the Track Record Period, with the exception of the margin loan of approximately HK\$30.0 million obtained from an intermediary as mentioned in the paragraph headed "Historical compliance matters" under the section headed "Business" of this document, our Group did not have any bank borrowings and the amounts due to related companies and Directors were interest-free. As such the net margin financing interest spread was equivalent to that of the actual margin financing interest for the year ended 31 December 2014.

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2. Refers to the rates specified in the respective loan agreements.
3. Out of the ten placing transactions completed in 2013, we acted as principal placing agent for one transaction and as sub-placing agent for others. For the transaction for which we acted as principal placing agent, a flat fee of HK\$0.2 million was charged to the seller/issuer.

(i) Brokerage services

Our wholly-owned subsidiary, PSL, is licensed under the SFO to carry out Type 1 (dealing in securities) regulated activity and conducts all of our brokerage services. We execute trades on our clients' behalf in equity securities traded on the Stock Exchange. Our trading operations are handled by our front office team, comprising our Licensed Representatives and Responsible Officers. Customers can either place orders via telephone or via our online trading platform. During the Track Record Period, we generated income from 143 Active Customers. During the years ended 31 December 2013 and 2014, approximately 13.1% and 26.1% of our Group's total revenue was derived from our brokerage services respectively.

(ii) Securities-backed lending services

We categorise our one-stop securities-backed lending service into two separate components, namely a margin financing service and a money lending service. Our margin financing operations are conducted by PSL, under its Type 1 licence, whilst our money lending activities are conducted by PCGL under its Money Lenders Licence. Our securities-backed lending services are handled by our front office team, whilst our Credit Committee, comprising our executive Directors and certain members of our senior management team, are responsible for approving margin financing and loan applications. PSL offers margin financing to our clients. Customers pledge the securities they own with us in order to receive financing to make further securities purchases via PSL's brokerage business. The amount of financing that a customer can receive is determined by the margin ratio offered to them, which represents the maximum percentage of financing a customer can receive against the value of collateral shares in his or her account with PSL. During the Track Record Period, we generated income from a total of 89 Active Customers with margin accounts. In order to supplement our securities-backed lending service, we also operate a money lending service through PCGL, which is a licensed money lender under the Money Lenders Ordinance. Whilst our margin loans can only be used for the purchase of securities via PSL, clients may use loans granted under our Money Lenders Licence for other purposes, which may or may not include the purchase of securities through our brokerage service. During the Track Record Period, we offered secured loans to a total of four customers. All four loans were settled in 2014. As at the Latest Practicable Date, we did not have any outstanding loans with any of our money lending customers. During the years ended 31 December 2013 and 2014, approximately 84.6% and 57.0% of our Group's total revenue was derived from our securities-backed lending services respectively.

(iii) Placing and underwriting services

Our subsidiary, PSL, is responsible for conducting our placing and underwriting services. We act as placing agent or underwriter for equity and debt securities listed on the Stock Exchange, and our customers generally comprise listed companies and shareholders of listed companies. During the Track Record Period, we acted as placing agent for 21 transactions, which consisted of the placing of new shares and block trades and were all conducted on a best-effort basis. During the years ended 31 December 2013 and 2014, approximately 1.6% and 16.2% of our Group's total revenue was derived from our placing and underwriting services respectively.

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Our customers

We provide our services to individuals and corporations. We primarily cater to clients with investment appetites for the securities of small to medium-sized companies listed on the Stock Exchange. Given their preferences, the stock portfolios of such clients typically consist of the securities of small to medium-sized listed companies, which are generally less acceptable to brokerage houses as collateral for margin financing, considering that they may be less liquid and more volatile in respect of their value. In this regard, our Group is attractive to such investors in that we are willing to invest the necessary time and manpower required to analyse the securities of small to medium-sized listed companies offered by such investors and, if satisfied with our analysis, to provide margin financing and extend loans backed by the said securities to such clients. From our experience, existing clients with a preference for investing in small to medium-sized companies often recommend our services to investors with similar preferences. Our Directors believe that, with time, we will be able to build a market reputation which will further enhance our ability to attract our target customers. Whilst we target investors with appetites for the securities of small to medium-sized listed companies, our customers are not restricted to only trading such securities, as they still have the discretion to invest in listed companies of any size. For further details regarding our target customers, please refer to the section headed "Risk factors" and the paragraphs headed "Competitive strengths" and "Business strategies" under the section headed "Business" of this document.

For each of the two years ended 31 December 2014, revenue attributable to the respective largest customer amounted to approximately 27.8% and 12.9% of our total revenue. Taking into account revenue derived from all services rendered to each customer, during the same period, the revenue of our top five customers in aggregate accounted for approximately 79.2% and 49.7% of our total revenue respectively. We closely monitor our customer portfolio to ensure that there is no over-reliance on any one single customer in order to minimise the credit risk faced by our Group should one of our major customers default on their settlement or repayment obligations. In addition, our Directors confirm that we will make conscious efforts to ensure that there is no over-reliance on our major customers.

The majority of our customers are individuals and corporations with investment appetites for the securities of small to medium-sized listed companies who are most readily accessed via personal introduction. We consider client referrals and the personal networks and relationships of our management to be sufficient to attract the kind of customers we currently target in this regard. For the two years ended 31 December 2014, out of our respective 89 and 117 Active Customers, 31 and 31 were respectively referred by our senior management and revenue generated from customers referred by our senior management amounted to approximately HK\$12.7 million and HK\$10.7 million respectively. Out of these, 13 and 10 customers with whom our senior management established relationships during their respective tenures at iSTAR International Securities Co. Limited and its associates contributed approximately 72.3% and 30.3% of our total revenue for the two years ended 31 December 2014 respectively. Revenue generated from customers referred by our existing customers during the same period amounted to approximately HK\$3.7 million and HK\$22.2 million respectively and approximately HK\$0.1 million and HK\$0.1 million were generated from staff dealings respectively during the same period. For more information, please refer to the paragraph headed "Business strategies" under the section headed "Business" of this document.

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OPERATIONAL DATA

Brokerage and margin financing

	For the year ended 31 December		For the three months ended
	2013	2014	31 March 2015
Number of Active Customers			
Cash	39	43	14
Margin	50	74	46
Total	89	117	60
Number of transactions	23,726	50,969	10,252
Gross transaction value			
HK\$'000	1,398,300.0	3,849,400.0	894,700.0
Average transaction value			
HK\$'000	58.9	75.5	87.3
Average commission rate	0.15%	0.22%	0.24%
Average margin loan interest rate	11.81%	15.46%	18.89%
Average day-end collateral coverage	9.01	5.01	2.19
Collateral coverage (as at year/period end)	10.98	2.53	2.24

Money lending

	For the year ended 31 December		For the three months ended
	2013	2014	31 March 2015
Number of transactions (Note 1)	4	4	–
Gross transaction value			
HK\$'000	46,700.0	46,700.0	–
Average transaction value			
HK\$'000	11,675.0	11,675.0	–
Average interest rate	33.02%	33.02%	N/A
Loan-to-value ratio			
(as at year end) (Note 2)	48.78%	–	–

Notes:

1. The number of transactions, gross transaction value, average transaction value and average interest rate remain the same for the year ended 31 December 2013 and 2014 due to the fact that they relate to the same four loans which our Group granted during 2013. The four loans were fully settled in 2014.
2. Since all loans were settled during the year ended 31 December 2014, there were no outstanding loans as at 31 December 2014 and 31 March 2015 respectively.

Placing and underwriting

	For the year ended 31 December		For the three months ended
	2013	2014	31 March 2015
Number of transactions	10	11	–
Gross transaction value			
HK\$'000	54,600.0	139,300.0	–
Average commission rate	0.49%	3.83%	N/A

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For our brokerage and margin financing services, both the number of transactions conducted and the gross transaction value increased from 23,726 and approximately HK\$1,398.3 million to 50,969 and approximately HK\$3,849.4 million for the two years ended 31 December 2014 respectively, reflecting a significant growth in our business and revenue. The overall decrease in average day-end collateral coverage from 2013 to 2014 was mainly due to the fact that (i) in 2013, three of our customers pledged collaterals to our Group with market values amounting to approximately HK\$703.9 million as at 31 December 2013 in aggregate, whilst the margin ratio as at 31 December 2013 of the respective customers was relatively low (ranging from approximately 1.1% to 14.8%) at the request of our Group in accordance with the credit assessment conducted by our front office team; and (ii) in 2014, after these three clients repaid the margin loans in full, such clients withdrew the pledged collaterals amounting to approximately HK\$699.3 million in aggregate. For our money lending service, the number of transactions, gross transaction value and average interest rates remained the same for the two years ended 31 December 2014 due to the fact that our Group granted four loans in 2013 which were fully settled in 2014. For our placing and underwriting services, gross transaction value increased from approximately HK\$54.6 million to approximately HK\$139.3 million for the two years ended 31 December 2014 respectively. This is primarily due to the fact that we undertook comparatively more placing transactions which were larger in size in 2014 when compared to 2013, for which we charged higher commission rates.

During the Track Record Period and up to the Latest Practicable Date, we had no long-term agreements with any of our top five customers, and none of our Directors or their respective associates or the existing Shareholders who own more than 5.0% of our issued share capital has had or has any interest in any of our top five customers. During the two years ended 31 December 2014, revenue generated from our connected persons and their associates contributed approximately 2.0% and 1.2% of our Group's total revenue respectively.

FINANCIAL INFORMATION

The following is a summary of the combined statements of comprehensive income and other financial information during the Track Record Period as derived from the Accountants' Report, the full text of which is set out in Appendix I to this document. This summary should be read in conjunction with the aforesaid Accountants' Report and the section headed "Financial information" of this document.

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Combined statements of comprehensive income

	Year ended 31 December		2014	
	2013	Percentage of our Group's revenue	2014	Percentage of our Group's revenue
	HK\$'000		HK\$'000	
Revenue:				
Commission income from securities brokerage services	2,153	13.1%	8,610	26.1%
Interest income from securities-backed lending services	13,936	84.6%	18,839	57.0%
<i>Margin financing services</i>	6,549	39.8%	13,357	40.4%
<i>Money lending services</i>	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	120	0.7%	241	0.7%
Total	16,474	100.0%	33,025	100.0%
Other income	162		7	
Profit before income tax	11,184		25,738	
Profit for the year	9,405		21,217	

Financial position

	As at 31 December	
	2013	2014
	HK\$'000	HK\$'000
Net assets	8,842	31,059
Net current assets	7,620	30,014

Key financial ratios

	Year ended 31 December	
	2013	2014
Net profit margin	57.1%	64.2%
Return on equity	106.4%	68.3%
Return on total assets	6.1%	12.9%
Current ratio	1.1 times	1.2 times
Quick ratio	1.1 times	1.2 times
Gearing ratio	–	–

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RECENT DEVELOPMENT

Subsequent to the Track Record Period, for the three months ended 31 March 2015, our Group recorded a revenue of approximately HK\$7.5 million representing approximately 13.7% increase from the corresponding period in 2014. The cost structure and expenses of our Group, other than listing expenses, had meanwhile remained stable. Please refer to page 5 of this document for the operational data of our business for the three months ended 31 March 2015. Up to the date of this document, our Directors confirmed that there has been no material adverse change in the financial position of our Group since 31 December 2014.

The aforementioned financial information for the three months ended 31 March 2015 is based on our unaudited combined financial statements prepared in accordance with the Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and reviewed by the Reporting Accountants in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by Hong Kong Institute of Certified Public Accountants for such relevant period.

HISTORICAL COMPLIANCE MATTERS

During the account opening process, PSL generally obtains standing authority from its margin clients to repledge securities pledged to PSL to Authorised Institutions. However, due to an inadvertent oversight of PSL's Responsible Officers (one of whom had since left our Group) at the beginning of our business operations in January 2013, after obtaining verbal confirmations in respect of the intention to repledge and the identity of the financial institution in question from the two relevant customers (in addition to the aforementioned standing authority), PSL repledged their securities collateral as part of a margin financing arrangement with a then market value of approximately HK\$210.0 million in aggregate to a financial institution (i.e. not an Authorised Institution) which was a corporation licensed to carry out, among other things, Type 1 (dealing in securities) regulated activity under the SFO, in contravention of the SFCSR.

In this regard, upon becoming aware of the non-compliance issue after an enquiry from the SFC's offsite monitoring in August 2014, we have enhanced our internal control procedures to prevent future occurrence of such incident by (i) issuing a reminder to all staffs to strictly adhere to the relevant laws and regulations at all times and relevant training sessions were conducted to enhance staff's knowledge of the SFCSR; (ii) revising our Group's compliance and operational manuals such that in future, repledging of securities collateral to an intermediary which is not an Authorised Institution shall be at all times prohibited; and (iii) engaging independent internal control advisers to review the enhanced internal control measures who were of the view that the enhanced internal control measures had been properly designed, effectively implemented and had maintained operating effectiveness during the period under review.

We have also obtained a legal opinion in order to ascertain the legal consequence of the aforementioned contravention. Our legal counsel is of the view that even if the SFC is to bring disciplinary proceedings or legal action against our Group or the relevant Responsible Officer, our Group shall be subject to reprimand and a fine penalty far below the maximum penalty and the relevant Responsible Officer may be subject to reprimand and suspension of licence for a short period of time with the possibility of imprisonment being remote. 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.

BUSINESS OBJECTIVES, FUTURE PLANS AND USE OF PROCEEDS

The overall business strategies of our Group are set out in the paragraph headed "Business strategies" on pages 87 to 88 of the section headed "Business" of this document, and our future plans are set out in the section headed "Future plans and use of proceeds" of this document. In particular, we intend to further expand our securities-backed lending services.

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The net proceeds of the [REDACTED], after deducting fees and estimated expenses payable by our Company in connection therewith, are estimated to be approximately HK\$[REDACTED] million (calculated based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point [REDACTED]). We intend to apply the net proceeds as follows:

- as to approximately 91.1%, representing approximately HK\$[REDACTED] million, will be used in the expansion of our securities-backed lending services with approximately HK\$[REDACTED] million for margin financing and approximately HK\$[REDACTED] million for money lending; and
- the remaining amount of approximately 8.9%, representing approximately HK\$[REDACTED] million, will be used for general working capital and other corporate purposes.

IMPACT OF LISTING EXPENSES

The estimated total listing expenses incurred in relation to the listing of our Shares on GEM are approximately HK\$15.0 million, of which HK\$4.1 million will be accounted for as a deduction from equity upon Listing. The remaining estimated listing expenses will be recognised in our combined statements of comprehensive income. Approximately HK\$1.7 million was charged to our combined statement of comprehensive income for the year ended 31 December 2014, whilst approximately HK\$9.2 million will be charged to our statement of comprehensive income for the year ending 31 December 2015. The listing expenses mainly comprise fees paid or payable to the various professional parties involved in the Listing process as well as commission payable to the Underwriter. Since the number of [REDACTED] to be issued represents [REDACTED]% of the total number of Shares in issue upon Listing, listing expenses that are directly attributable to the issue of [REDACTED] are accounted for as a deduction from equity, whilst expenses that are not clearly separable are allocated to equity and profit or loss on a ratio of 25:75.

In view of the above, prospective investors should note that the financial results of our Group for the year ending 31 December 2015 will be materially adversely affected by the non-recurring expenses in relation to the Listing. Prospective investors are specifically warned that given the aforesaid expenses, our Group's net profit for the year ending 31 December 2015 may show a decline as compared to that of the previous financial year. Our Directors wish to emphasise that the aforesaid amount is a current estimate for reference only and the final amount to be recognised in equity and the statement of comprehensive income for the year ending 31 December 2015 is subject to adjustment due to changes in estimates and assumptions.

RISK FACTORS

The key risks involved in our operations include: (i) risk of operational and trading system failures; (ii) risk of trading errors; (iii) our collaterals may not be sufficient to cover the outstanding balance of securities-backed loans in case of default; and (iv) risk of reliance on major customers. The foregoing risks are not the only significant risks relating to our Company. A detailed discussion of the aforesaid and other risks is set out in the section headed "Risk factors" starting on page 22 of this document.

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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 our 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. As at the Latest Practicable Date, the declared dividend of HK\$30.0 million had been fully paid. Albeit the payment of the HK\$30.0 million dividend lowered our Group's cash balance with a reducing effect on our Group's net asset value, the settlement of the dividend did not affect PSL's ability to comply with the financial resources requirements as specified by the FRR and the Stock Exchange and did not have any material impact on our business operations or financial position. Our Directors consider the dividend to be an investment return to the then Shareholders during the Track Record Period and should not be regarded as an indication of the future dividend policy to be adopted by our Group following the Listing. Currently, we do not have any predetermined dividend distribution ratio. Prospective investors should note that historical dividend trends may not be indicative of future dividend trends.

[REDACTED] STATISTICS

	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalisation (<i>Note 1</i>)	HK\$[REDACTED]	HK\$[REDACTED]
Historical price-to-earnings multiple (<i>Note 2</i>)	[REDACTED] times	[REDACTED] times
Unaudited pro forma adjusted combined net tangible assets per Share (<i>Note 3</i>)	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

1. The calculation of market capitalisation at the [REDACTED] is based on [REDACTED] Shares expected to be in issue immediately following completion of the [REDACTED] and the Capitalisation Issue.
2. The calculation of the historical price-to-earnings multiple is calculated with reference to the profit for the year ended 31 December 2014 of approximately HK\$21.2 million and on the assumption that [REDACTED] Shares had been in issue throughout the year ended 31 December 2014, and the respective [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED].
3. The unaudited pro forma adjusted combined net tangible assets per Share is arrived at after the adjustment for the estimated net proceeds from the [REDACTED] payable to our Company of approximately HK\$[REDACTED] million based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] and approximately HK\$[REDACTED] million based on the [REDACTED] of HK\$[REDACTED] per [REDACTED] respectively and on the basis that a total of [REDACTED] Shares were in issue (including Shares in issue at the date of this document, and those Shares to be issued under the Capitalisation Issue and the [REDACTED]).