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Application Proof of

Pinestone Capital Limited

鼎石資本有限公司

(incorporated in the Cayman Islands with limited liability)

(the “Company”)

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- (d) the Application Proof is not the final listing document and may be updated or revised by the Company from time to time in accordance with the GEM Listing Rules;
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IMPORTANT

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

PineStone 鼎石
Pinestone Capital Limited
鼎石資本有限公司

(incorporated in the Cayman Islands with limited liability)

**LISTING ON THE GROWTH ENTERPRISE MARKET OF
THE STOCK EXCHANGE OF HONG KONG LIMITED
BY WAY OF [REDACTED]**

Number of [REDACTED] : [REDACTED] Shares
**[REDACTED] : Not more than HK\$[REDACTED] per
Share and expected to be not less than
HK\$[REDACTED] per Share plus
brokerage of 1%, SFC transaction levy
of 0.0027% and Stock Exchange
trading fee of 0.005% (payable in full
on application, subject to refund)**
Nominal value : HK\$0.01 per Share
Stock code : [REDACTED]

Sponsor

ALTUS CAPITAL LIMITED

Lead Manager

[REDACTED]

Underwriters

[REDACTED]

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A copy of this document, together with the documents specified under the paragraph headed "Documents delivered to the Registrar of Companies in Hong Kong" in Appendix V to this document, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other documents referred to above.

The [REDACTED] is currently expected to be fixed by an agreement between our Company, the Lead Manager and the Underwriters on the Price Determination Date, which is expected to be on or about [REDACTED], or such later date as may be agreed between our Company, the Lead Manager and the Underwriters. If our Company, the Lead Manager and the Underwriters are unable to reach an agreement on the [REDACTED] on the Price Determination Date, the [REDACTED] will not become unconditional and will lapse immediately. In such case, an announcement will be made immediately by our Company on the Stock Exchange website at www.hkexnews.hk and our Company's website at www.pinestone.com.hk. The [REDACTED] is expected to be not more than HK\$[REDACTED] per Share and not less than HK\$[REDACTED] per Share. The Lead Manager and the Underwriters may, with the consent of our Company, reduce the indicative [REDACTED] range below to that stated in this document at any time prior to the Price Determination Date. If this occurs, a notice of reduction of the indicative [REDACTED] range will be published on the Stock Exchange website at www.hkexnews.hk and our Company's website at www.pinestone.com.hk.

Prior to making investment decisions, prospective investors should consider carefully all of the information set out in this document, including but not limited to the risk factors set out in the section headed "Risk factors" of this document.

Prospective investors of the [REDACTED] should note that the Sponsor, the Lead Manager and/or the Underwriters are entitled to terminate the Underwriting Agreement by the Lead Manager (for itself and on behalf of the Underwriters) giving a notice in writing to our Company upon the occurrence of any of the events set out under the paragraph headed "Grounds for termination" in the section headed "Underwriting" of this document, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Underwriting Agreement be terminated in accordance with its terms, the [REDACTED] will not proceed and will lapse.

Should the Sponsor, the Lead Manager or the Underwriters terminate the Underwriting Agreement, the [REDACTED] will not proceed and will lapse.

[REDACTED]

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to higher market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is by publication on the website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the Stock Exchange's website at *www.hkexnews.hk* in order to obtain up-to-date information on companies listed on GEM.

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This document is issued by our Company solely in connection with the [REDACTED] and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the [REDACTED] offered by this document. This document may not be used for the purpose of and does not constitute an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

Prospective investors should rely only on the information contained in this document to make your investment decision. Our Company, the Sponsor, the Lead Manager and the Underwriters, have not authorised anyone to provide prospective investors with information that is different from what is contained in this document. Any information or representation not contained in this document must not be relied on by prospective investors as having been authorised by our Company, the Sponsor, the Lead Manager, the Underwriters, any of their respective directors, officers, employees, agents or representatives, or any other person or party involved in the [REDACTED].

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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. We cater mainly to individual and corporate clients with investment appetites for the securities of small- to medium-sized companies listed on the Stock Exchange.

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.

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 capital 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, executive Director and Controlling Shareholder, and as to 30.0% by Mr. Jonathan Cheung, our Chief Executive Officer, Vice Chairman, executive Director and substantial Shareholder.

SUMMARY

In September 2012, PSL successfully obtained a licence under the SFO to conduct Type 1 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:

- our lean organisational structure, which allows us to offer a quick and efficient service to our customers;
- the complementary nature of our services, which allows us to cross-sell our various services to our clients; and
- 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 as follows:

- we focus on clients with investment appetites for the securities of small- to medium-sized listed companies;
- we offer tailor-made services to cater for the specific objectives of our clients; and
- we leverage on synergies between our different services to offer a more comprehensive service to our clients.

SUMMARY

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>Money lending interest (Note 1)</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 (Note 2) For placees: 1.0% to 1.5%	For sellers/issuers: 2.5% to 3.75% For placees: 1.0% to 1.25%

Notes:

1. Refers to the rates specified in the respective loan agreements.
2. We conducted only one such transaction during 2013 for which we charged a flat fee.

(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.

(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

SUMMARY

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 and up to the Latest Practicable Date, we generated interest income from a total of 89 active customers.

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.

(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 in the secondary market and were all conducted on a best-effort basis.

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. For each of the two years ended 31 December 2013 and 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.

SUMMARY

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 2013 and 2014, revenue generated from our connected persons and their associates contributed approximately 2.0% and 1.2% of the 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.

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:				
– Margin financing services	6,549	39.8%	13,357	40.4%
– Money lending services	7,387	44.8%	5,482	16.6%
Sub-total	13,936	84.6%	18,839	57.0%
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 attributable to owners of the Company	9,405		21,217	

SUMMARY

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	1.2
Quick ratio	1.1	1.2
Gearing ratio	–	–

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 page 84 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.

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; and
- the remaining amount of approximately [8.9]%, representing approximately HK\$[REDACTED] million, will be used for general working capital and other corporate purposes.

SUMMARY

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\$5.0 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\$8.3 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 Underwriters. 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 the statement of comprehensive income on a ratio of 25:75.

RISK FACTORS

Summarised below are the key risks involved in our operations which are beyond our control:

- risk of operational and trading system failures;
- risk of trading errors;
- our collaterals may not be sufficient to cover the outstanding balance of securities-backed loans in case of default; and
- risk of reliance on major customers.

The above 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 20 of this document.

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. Such dividend will be settled prior to 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.

SUMMARY

[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 attributable to owners of the Company for the year ended 31 December 2014 of approximately HK\$[REDACTED] 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]).

DEFINITIONS

In this document, the following expressions have the following meanings, unless the context otherwise requires:

“Altus” or the “Sponsor”	Altus Capital Limited, a corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the sponsor for the Listing
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company, adopted on [●], and as amended from time to time, a summary of which is set out in the paragraph headed “Articles of Association” in Appendix III to this document
“associate(s)” or “close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Authorised Institutions”	has the meaning ascribed to it under the Banking Ordinance
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Board” or “our Board”	the board of Directors from time to time or a duly authorised committee thereof
“Business Day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of part of the sum standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Resolutions in writing of our Shareholders passed on [●] 2015” in Appendix IV to this document
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“Code of Conduct”	the Code of Conduct for Persons Licensed by or Registered with the SFC issued by the SFC from time to time
“Companies Laws” or “Cayman Companies Law”	the Companies Laws (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies (Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) which came into effect on 3 March 2014 as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014 as amended, supplemented or otherwise modified from time to time
“Companies Registry”	the companies registry of Hong Kong
“Company”, “the Company” or “our Company”	Pinestone Capital Limited (鼎石資本有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 14 January 2015
“Compliance Committee”	an operational committee established on 4 February 2013 to monitor the Group’s compliance with the relevant laws, rules and regulations
“connected person(s)” or “core connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“connected transaction(s)”	has the same meaning ascribed to it under the GEM Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto under the GEM Listing Rules and, in the context of this document, means Mr. Henry Cheung and HCC
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules
“Credit Committee”	an operational committee established on 4 February 2013 for reviewing and overseeing the credit policies of our Group

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated [●] 2015 entered into between the Controlling Shareholders in favour of our Company, particulars of which are set out in the paragraph headed “Other information – Tax and other indemnities” in Appendix IV to this document
“Deed of Non-Competition”	the deed of non-competition dated [●] 2015 entered into between the Controlling Shareholders and our Company (for itself and as trustee for each of its subsidiaries), particulars of which are set out in the paragraph headed “Non-competition undertakings” in the section headed “Relationship with our Controlling Shareholders” of this document
“Director(s)”	the director(s) of our Company
“FRR”	the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM (as amended from time to time)
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries or, where the context otherwise requires, in respect of the period before our Company becoming the holding company of our present subsidiaries, such subsidiaries and the businesses carried on by them or their predecessors (as the case may be)
“HCC”	HCC & Co Limited, a company incorporated in the BVI with limited liability on 12 January 2015 and wholly-owned by Mr. Henry Cheung
“HIBOR”	Hong Kong Interbank Offered Rate, the rate of interest offered on Hong Kong dollar loans by banks in the interbank market for a specific period ranging from overnight to one year
“HKEx”	Hong Kong Exchanges and Clearing Limited
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants

DEFINITIONS

“HKMA”	the Hong Kong Monetary Authority
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Government”	the Government of Hong Kong
“Hong Kong Police”	the Hong Kong Police Force
“Independent Third Party(ies)”	person(s) or company(ies) which is (are) independent of and not connected with any of the Directors, chief executive or substantial shareholders of our Company or our subsidiaries or any of our respective associates
“Latest Practicable Date”	[13 February 2015], being the latest practicable date prior to the printing of this document for ascertaining certain information contained herein
“Lead Manager”	a corporation licensed by the SFC to carry out [●] regulated activities under the SFO, being the lead manager to the Listing
“Licensed Representative”	an individual who is granted a licence under section 120(1) or 121(1) of the SFO to carry out one or more than one regulated activities for PSL
“Licensing Court”	the court responsible for determination of applications for, granting or renewing of Money Lenders Licences
“Listing”	the listing of our Shares on GEM
“Listing Date”	the date, expected to be on or about [REDACTED], on which our Shares are first listed and from which dealings therein are permitted to take place on GEM
“Memorandum”, “Memorandum of Association”	the amended and restated memorandum of association of our Company, adopted on [●], and as amended from time to time, a summary of which is set out in the paragraph headed “Summary of the constitution of our Company and Cayman Islands Companies Law” in Appendix III to this document

DEFINITIONS

“MLO Effective Interest Rate”	refers to the effective interest rate as per Schedule II of the Money Lenders Ordinance unless otherwise stated
“Money Lenders Licence”	the money lenders licence issued by the Licensing Court pursuant to the Money Lenders Ordinance and Money Lenders Regulations for carrying on money lending business in Hong Kong
“Money Lenders Ordinance” or “MLO”	the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Money Lenders Regulations”	the Money Lenders Regulations (Chapter 163A of the Laws of Hong Kong)
“Mr. Henry Cheung”	Mr. Cheung Yan Leung Henry, an executive Director, a Controlling Shareholder and the father of Mr. Jonathan Cheung
“Mr. Jonathan Cheung”	Mr. Cheung Jonathan, an executive Director, the founder of the Group and a son of Mr. Henry Cheung
“Ms. Chick”	Ms. Chick Siu Har Rowena, the spouse of Mr. Wong Chi Kan, a member of our senior management team and a director of PSL
“PCGL”	Pinestone Capital Group Limited (鼎石資本集團有限公司), a company incorporated in Hong Kong with limited liability on 30 August 2012, and an indirect wholly-owned subsidiary of our Company
“PDPO”	the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
“PGL”	Pinestone Group Limited (鼎石集團有限公司), a company incorporated in the BVI with limited liability on 4 July 2011 and owned as to 70.0% by Mr. Henry Cheung and 30.0% by Mr. Jonathan Cheung
“PIGL”	Pinestone Investment Group Limited, a company incorporated in the BVI with limited liability on 9 March 2012 and a direct wholly-owned subsidiary of our Company

DEFINITIONS

“PIL” Pinestone International Limited, a company incorporated in the BVI with limited liability on 19 January 2015 and a direct wholly-owned subsidiary of our Company

[REDACTED]

“[REDACTED]” the final [REDACTED] per [REDACTED] which will not be more than HK\$[REDACTED] per Share and is expected to be not less than HK\$[REDACTED] per Share (exclusive of brokerage, the Stock Exchange trading fee, and SFC transaction levy), such price to be fixed on the Price Determination Date

[REDACTED]

“PRC” or “China” the People’s Republic of China, but for the purposes of this document and unless otherwise indicated, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

“Predecessor Companies Ordinance” the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Miscellaneous Provisions) Ordinance

“Price Determination Date” the date, expected to be on or about [REDACTED] or such other date as may be agreed between our Company and the Lead Manager (for themselves and on behalf of the Underwriters), on which the [REDACTED] is fixed for the purpose of the [REDACTED]

“PSL” Pinestone Securities Limited (鼎石證券有限公司), a company incorporated in Hong Kong with limited liability on 4 January 2010, and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Registrar of Money Lenders”	the person appointed under the Money Lenders Ordinance for the purposes of establishing and maintaining the register of money lenders, who currently is the Registrar of Companies in Hong Kong
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and corporate structure” and the paragraph headed “Corporate reorganisation” in Appendix IV to this document
“Responsible Officer(s)”	a Licensed Representative who is also approved as a responsible officer under section 126 of the SFO to supervise one or more regulated activities of PSL
“SCL”	Snail Capital Limited, a company incorporated in the BVI with limited liability on 12 January 2015 and wholly-owned by Mr. Jonathan Cheung
“SFC”	the Securities and Futures Commission of Hong Kong
“SFCSR”	the Securities and Futures (Client Securities) Rules
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with par value of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on [●] 2015, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix IV to this document
“Shareholder(s)”	holder(s) of our Shares from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the GEM Listing Rules

DEFINITIONS

"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the period comprising the two financial years ended 31 December 2013 and 2014
"Underwriter(s)"	the underwriter(s) of the [REDACTED] named in the paragraph headed "Underwriters" under the section headed "Underwriting" of this document
"Underwriting Agreement"	the underwriting agreement dated [●] entered into between, among others, our Company, our executive Directors, the Controlling Shareholders, the Sponsor, the Lead Manager and the Underwriters relating to the [REDACTED], particulars of which are summarised in the section headed "Underwriting" of this document
"U.S.", "United States" or "USA"	the United States of America
"HK\$" and "HK cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"US\$" or "U.S. dollars"	United States dollars, the lawful currency of the U.S.
"%"	per cent.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

GLOSSARY OF TECHNICAL TERMS

The following sets out a glossary list which contains certain terms and definitions used in this document in connection to our Group's business and operations. The terms and their meanings may not correspond to the standard industry meanings, calculation or usage of those terms.

“AMS” and “AMS/3.8”	Automatic Order Matching and Execution System, an electronic stock trading system of the Stock Exchange, the first generation of which was implemented in 1993 and is currently in its third generation
“BSS”	the Broker Supplied System, being a front office solution either developed in-house by an Exchange Participant or a third-party software package acquired from commercial vendors, enabling the Exchange Participant to connect its trading facilities to the Open Gateway to conduct trading
“Exchange Participant(s)”	corporation(s) licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO who, in accordance with the rules of the Stock Exchange, may trade on or through the Stock Exchange and whose name(s) is/are entered in a list, register or roll kept by the Stock Exchange as person(s) who may trade on or through the Stock Exchange
“IPOs”	initial public offerings
“IT”	information technology
“Open Gateway”	a Windows-based device provided by the Stock Exchange and installed at the Exchange Participants' office to facilitate electronic interface of the AMS/3.8 with front office systems operated by the Stock Exchange Participant
“retail investors”	an individual who purchases securities for his or her personal account rather than an organisation
“Stock Exchange Trading Right”	a right to be eligible to trade on or through the Stock Exchange as an Exchange Participant and entered as such a right in a list, register or roll kept by the Stock Exchange
“T+2”	two trading days from the relevant transaction day

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS DOCUMENT MAY NOT MATERIALISE

This document contains forward-looking statements. All statements other than statements of historical facts contained in this document, including, without limitation, those regarding our future financial position, our strategy, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "aim", "intend", "project", "will", "may", "plan", "consider", "anticipate", "seek", "should", "would", "could" or similar expressions or the negative of these words or other similar expressions or statements, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- future development, trends and conditions in the industry and markets in which we operate;
- expansion, consolidation or other trends in the industry in which we operate;
- regulations and restrictions;
- our strategies, plans, objectives and goals;
- general political and economic conditions in Hong Kong, the PRC and overseas;
- exchange rate fluctuations and the developing legal system, in each case pertaining to Hong Kong and the industry and markets in which we operate;
- macroeconomic measures taken by the Hong Kong and/or the PRC governments to manage economic growth;
- our business prospects;
- competition for our business activities and the actions and development of our competitors;
- financial condition and performance of our Group;

FORWARD-LOOKING STATEMENTS

- our dividend policy;
- changes to our expansion plans and use of capital expenditures; and
- realisation of the benefits of our future plans and strategies.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements fake or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, the Controlling Shareholders, the Sponsor, the Lead Manager, the Underwriters, any other party involved in the [REDACTED] or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under the section headed "Risk factors" and elsewhere in this document.

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. Accordingly, prospective investors should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified with reference to cautionary statements set out in this section.

In this document, statement of or references to our intentions or those of any of our Directors are made as at the date of this document. Any such intentions may change in light of future developments.

RISK FACTORS

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

RISKS RELATING TO THE OPERATIONS OF OUR GROUP

Risks associated with securities brokerage services

Risk of operational and trading system failure

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

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

Risk of trading errors

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

RISK FACTORS

Risks associated with securities-backed lending services

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

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

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

Similarly, the securities pledged to us as collateral under our money lending service may not be sufficient to cover the amount of our outstanding loan in the event of default by the customers. Our internal control procedures are designed to monitor fluctuations in the value of securities pledged to us. In the case of sudden adverse developments in the market, such as a stock market crash, the amount of outstanding loans may exceed the value of the securities after realisation and we may suffer material and adverse effects to our profitability, financial conditions and results of operations.

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

Our money lending service is subject to licensing requirements under the provisions of the Money Lenders Ordinance. The Money Lenders Licence is granted by the Licensing Court and is renewable annually subject to satisfaction of all licensing conditions. The Licensing Court also has the discretion to suspend or revoke the licence if it determines that the licensee is or has been in material breach of any licensing conditions. In the event that our Money Lenders Licence is not renewed for any reason, our money lending service will have to be suspended.

RISK FACTORS

Risk associated with placing and underwriting services

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

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

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

Risk of non-compliance with rules and regulations

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

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

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

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

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

Any sudden downturn in the global political and economic environments, which are beyond our control, may adversely affect the financial market sentiment in general. Severe fluctuation in market and economic sentiments may also lead to a prolonged period of sluggish market activities which would in turn have an adverse impact on our business and operating performance. As such, the revenue and profitability of our Group may fluctuate and there is no assurance that we will be able to maintain our historical results in times of difficult or unstable economic and political conditions. Historical profit levels of our Group should not be unduly relied upon as an indication of our future financial performance.

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

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

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

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

Risk associated with the deficiency of our internal control system

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

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

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

Risk of customer credit

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

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

There is no assurance that our customers will continue to meet their obligations to settle their securities transactions. In the event that our customers fail to meet their payment obligations or the pledged assets are not sufficient to cover the necessary amount, our financial results may be materially and adversely affected.

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

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

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Our results will continue to depend on (i) our ability to continue to secure accounts from our customers; (ii) the financial condition of our customers; and (iii) factors that affect the Hong Kong economy in general. We cannot guarantee that we will be able to maintain or improve our relationships with our major customers, who do not have long term commitments with us, and as such any of them may terminate their respective relationships with us. In particular, customers make their borrowing decisions at their own discretion based on their preference and prevailing financial circumstances, and there is no assurance that we will be able to maintain business relationships with such customers in the future. Any decrease in the demand for the required services provided by us could have an adverse impact on our operations and profits. In addition, there is no assurance that we can diversify our customer portfolio.

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

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

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

Risk of uncertainties in our expansion plan

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

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We have a limited operating history

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

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

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

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

RISKS RELATING TO THE INDUSTRY IN WHICH OUR GROUP OPERATES

Risk of market competition

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

Our Group will have to compete against competitors who may have greater brand recognition in the market, more human and financial resources, a wider range of services and longer operating histories than that of our Group. Apart from large multinational financial institutions, our Group also faces competition from local small- and medium-sized financial

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services firms which offer a similar range of services. There is no assurance that our Group will be able to maintain our competitive strengths by responding rapidly to the changing business environment or to capture new market opportunities. Any intensified competition may result in further price reduction, which in turn may erode our market share and have an adverse impact on our operating performance and financial results.

RISKS RELATING TO ECONOMIC AND POLITICAL CONDITIONS IN HONG KONG

Risk of political and economic considerations

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

As an open economy, Hong Kong's domestic economy is also affected by many other unpredictable factors such as economic, social, legal and political developments in the PRC, fluctuations in global interest rates, and changes in local and international economic and political situations. There is no assurance that any changes in the existing government policies, economic, social, political conditions and the business environment in Hong Kong and the PRC in the future will have a positive effect on our business operations.

Risk of taxation changes in Hong Kong

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

RISKS RELATING TO [REDACTED] AND SHARE PERFORMANCE

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

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

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

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Risk of dilution of the Shareholders' equity interests

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

Risk of impact of granting options under the Share Option Scheme

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

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

Under the HKFRS, the costs of the options to be granted to staff under the Share Option Scheme will be charged to our consolidated income statement over the vesting period by reference to the fair value at the date on which the options are granted under the Share Option Scheme. As a result, our profitability and financial results may be adversely affected.

Risk of future sales of Shares by existing Shareholders

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

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

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

RISK FACTORS

The declaration and payment of dividends during the Track Record Period should not be considered as a guarantee or indication that we will declare and pay dividends in such manner in the future, or will declare and pay any dividends in the future at all. Whether dividends will be distributed and the amount of dividends to be paid will depend upon, among other things, our profitability, financial conditions, business development requirements, future prospects and cash requirements of our Group. Any declaration, payment and amount of dividends is at the discretion of our Directors, and will be subject to, among other things, our constitutional documents and the Cayman Islands law.

Termination of the Underwriting Agreement

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

Minority shareholders protection under the laws of the Cayman Islands

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

RISKS RELATING TO THIS DOCUMENT

Risk of accuracy and completeness of statistics and facts

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

RISK FACTORS

Information contained in press articles or other media

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

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

This document contains certain statements and information that are "forward-looking" and uses forward-looking terminology such as "anticipate", "believe", "could", "estimate", "expect", "may", "ought to", "should" or "will" or similar terms. Those statements include, among other things, the discussion of our Group's growth strategy and expectations concerning our future operations, liquidity and capital resources. Prospective investors of the Shares are cautioned that reliance on any forward-looking statements involves risks and uncertainties and that, although our Company believes the assumptions on which the forward-looking statements based on are reasonable, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include, but are not limited to, those identified in this section, many of which are not within our Group's control. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations by our Company that our plans or objectives will be achieved and prospective investors should not place undue reliance on such forward-looking statements. Our Company does not undertake any obligation to update publicly or release any revisions of any forward-looking statements, whether as a result of new information, future events or otherwise. Please refer to the section headed "Forward-looking statements" of this document for further details.

INFORMATION ABOUT [REDACTED] AND THE PLACING

[REDACTED]

INFORMATION ABOUT [REDACTED] AND THE PLACING

[REDACTED]

INFORMATION ABOUT [REDACTED] AND THE PLACING

[REDACTED]

INFORMATION ABOUT [REDACTED] AND THE PLACING

[REDACTED]

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

DIRECTORS

Name	Residential address	Nationality
<i>Executive Directors</i>		
Cheung Yan Leung Henry (張仁亮)	Flat A502, 5 th floor Block A, Villa Verde 16-18 Guildford Road The Peak Hong Kong	Canadian
Cheung Jonathan (張存雋)	Flat A502, 5 th floor Block A, Villa Verde 16-18 Guildford Road The Peak Hong Kong	Canadian
<i>Independent non-executive Directors</i>		
Yeung King Wah (楊景華)	Flat B, 46 th Floor Tower 1, South Court 1 Mei Tin Road, Festival City Phase 2, Tai Wai, Sha Tin New Territories Hong Kong	Chinese
Lai Tze Leung George (黎子亮)	Flat A, 3 rd Floor Venice Garden 91-93 Blue Pool Road Happy Valley Hong Kong	Canadian
So Stephen Hon Cheung (蘇漢章)	Flat B, 1 st Floor Sunny Villa 69 Blue Pool Road Happy Valley Hong Kong	Canadian

For further information on the profile and background of our Directors, please refer to the section headed "Directors, senior management and employees" of this document.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE [REDACTED]

Sponsor

Altus Capital Limited

A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities

21 Wing Wo Street
Central
Hong Kong

Lead manager

[REDACTED]

Underwriter(s)

[REDACTED]

Legal advisers to our Company

As to Hong Kong law

Sidley Austin

39th Floor
Two International Finance Centre
8 Finance Street
Central
Hong Kong

As to Cayman Islands and British Virgin Islands law

Appleby

Unit 2206-19
Jardine House
1 Connaught Place
Central
Hong Kong

Legal advisers to the Sponsor

As to Hong Kong law

[REDACTED]

Howse Williams Bowers

27th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Reporting accountants

BDO Limited

Certified Public Accountants

25th Floor, Wing On Centre

111 Connaught Road Central

Hong Kong

CORPORATE INFORMATION

Registered office	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	Unit 1506 15 th Floor, Wheelock House 20 Pedder Street Central Hong Kong
Compliance officer	Cheung Jonathan (張存雋)
Company secretary	Law Heung Chung (羅向聰), <i>Fellow (HKICPA), ACIS (ICSA), ACS (HKICS)</i> Flat B, 12 th Floor Block 1, Granville Garden 18 Pik Tin Street Tai Wai, Shatin New Territories Hong Kong
Compliance adviser	Altus Capital Limited <i>A corporation licensed to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities</i> 21 Wing Wo Street Central Hong Kong
Company website	www.pinestone.com.hk <i>(information contained in this website does not form part of this document)</i>
Audit Committee	Yeung King Wah (楊景華) (<i>Chairman</i>) Lai Tze Leung George (黎子亮) So Stephen Hon Cheung (蘇漢章)

CORPORATE INFORMATION

Remuneration Committee	Yeung King Wah (楊景華) (<i>Chairman</i>) Cheung Jonathan (張存雋) Lai Tze Leung George (黎子亮) So Stephen Hon Cheung (蘇漢章)
Nomination Committee	Cheung Yan Leung Henry (張仁亮) (<i>Chairman</i>) Yeung King Wah (楊景華) Lai Tze Leung George (黎子亮) So Stephen Hon Cheung (蘇漢章)
Authorised representatives (for the purpose of the GEM Listing Rules)	Cheung Yan Leung Henry (張仁亮) Flat A502, 5 th floor Block A, Villa Verde 16-18 Guildford Road The Peak Hong Kong Cheung Jonathan (張存雋) Flat A502, 5 th floor Block A, Villa Verde 16-18 Guildford Road The Peak Hong Kong
Principal share registrar and transfer office	[REDACTED]
Hong Kong branch share registrar and transfer office	[REDACTED]
Principal banker	Chong Hing Bank Limited Chong Hing Bank Centre 24 Des Voeux Road Central Hong Kong

INDUSTRY OVERVIEW

This section contains certain information which has been directly or indirectly derived, in part, from various governmental, official, publicly available documents, the internet or other sources, which was not commissioned by our Company nor the Sponsor. Our Directors believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting, compiling and reproducing such information. Our Directors have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The relevant information has not been independently verified by our Company, the Sponsor, the Lead Manager, the Underwriters or any of their respective affiliates or advisers, and therefore may not be accurate, complete or updated. We make no representation as to the accuracy, completeness or fairness of such information and accordingly the information contained herein should not be unduly relied upon.

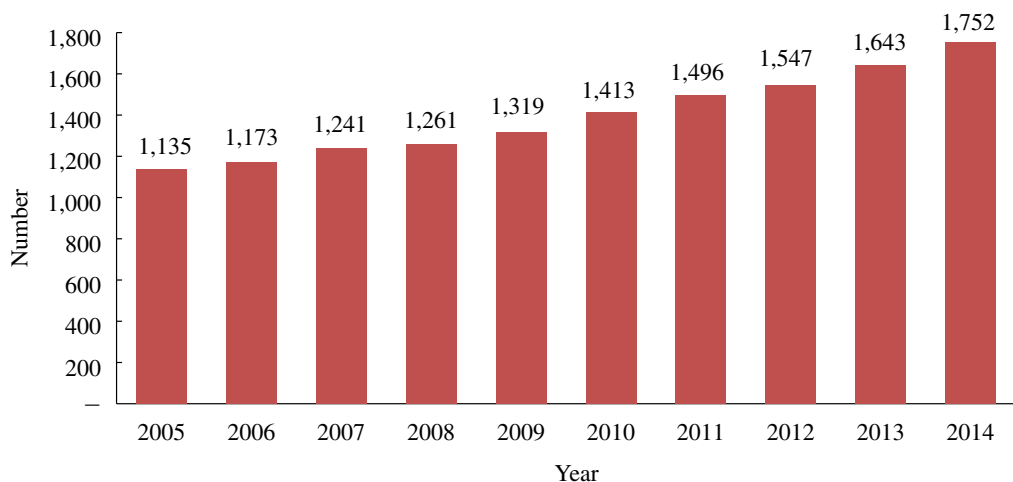
In respect of the information which has been directly or indirectly derived from the Stock Exchange's documents, the Stock Exchange and its subsidiaries do not guarantee the accuracy or reliability of the information and do not accept any liability (whether in tort, contract or otherwise) for any loss or damage arising from any inaccuracy or omission of the information; or any decision, action or non-action based on or in reliance upon any information by any person.

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

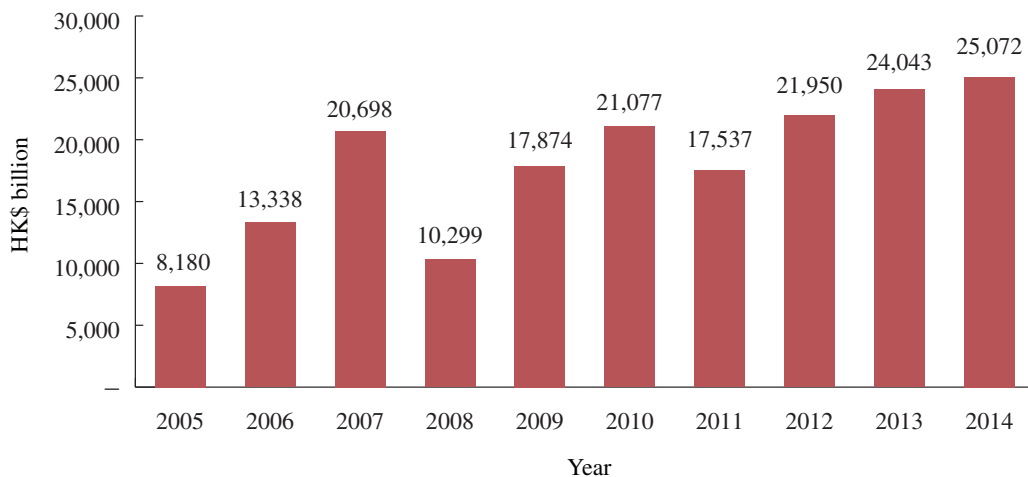


Sources: HKEx fact book 2013, HKEx monthly market highlight – December 2014

INDUSTRY OVERVIEW

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

INDUSTRY OVERVIEW

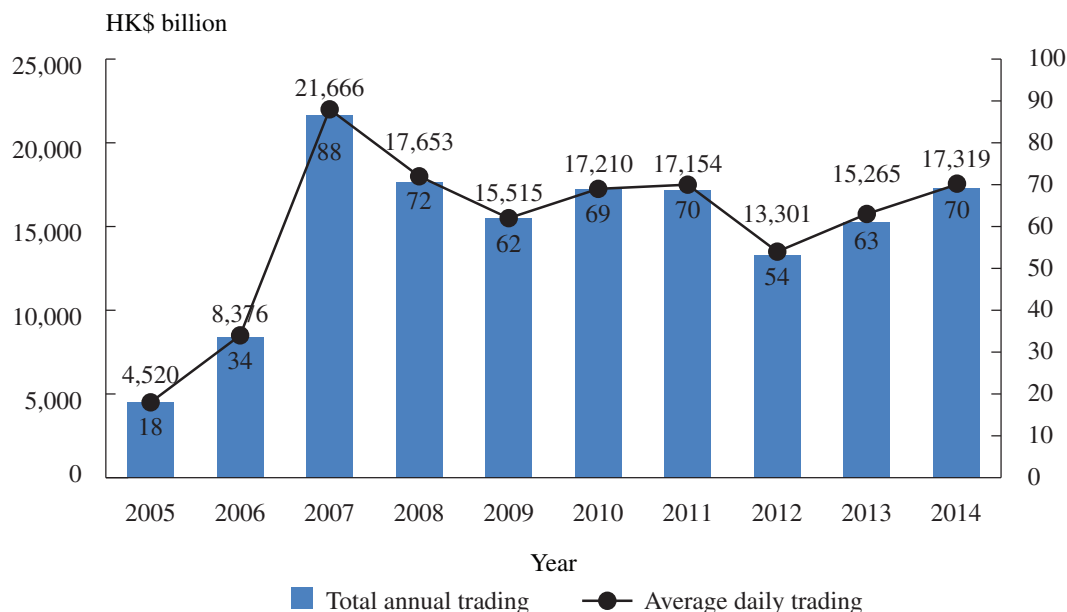
uncertain the PRC economic outlook weighed on the market. In early 2014, the Hong Kong market was choppy amid concerns about the Federal Reserve's withdrawal of stimulus policies and economic uncertainties in emerging markets. Worries about an economic slowdown in the PRC and geopolitical tensions in 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

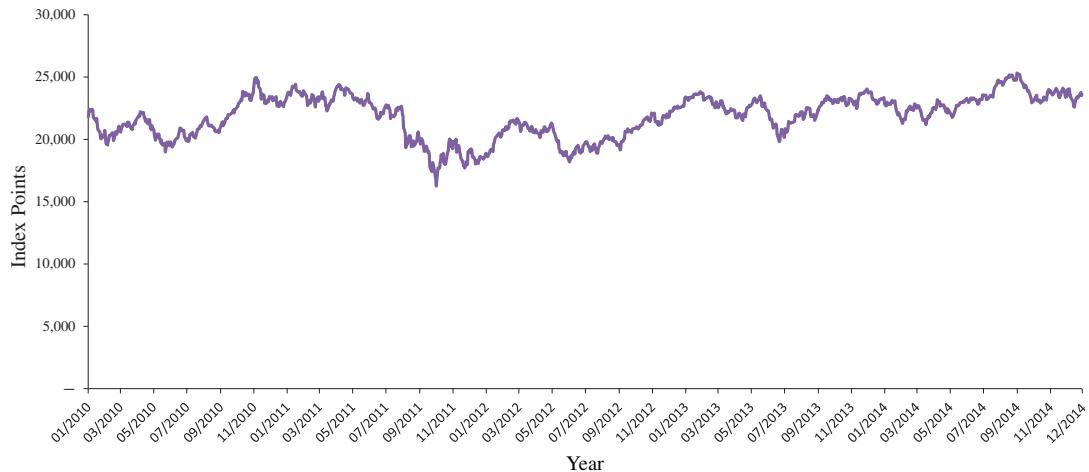
INDUSTRY OVERVIEW

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.

INDUSTRY OVERVIEW

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:

INDUSTRY OVERVIEW

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

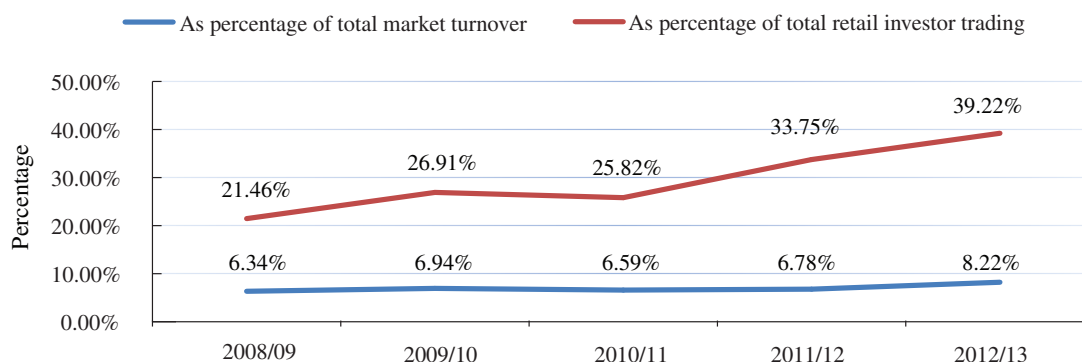
Note: The table includes all Exchange Participants that had paid transaction levies, investor compensation levies (if applicable) and trading fees to the Stock Exchange. The Exchange Participants are classified into Category A, Category B or Category C participants by the Stock Exchange in terms of their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

INDUSTRY OVERVIEW

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.

INDUSTRY OVERVIEW

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

INDUSTRY OVERVIEW

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

INDUSTRY OVERVIEW

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.

REGULATORY OVERVIEW

REGULATORY ENVIRONMENT IN HONG KONG

This section sets out summaries of certain aspects of the regulatory environment in Hong Kong, which are relevant to the Group's business and operation.

(A) REGULATIONS AND SUPERVISION OF THE SECURITIES BUSINESS IN HONG KONG

SECURITIES AND FUTURES COMMISSION

Regulation of the securities and futures market

Founded in May 1989, the SFC is an independent statutory body responsible for regulating the securities and futures market in Hong Kong. The SFC works to ensure orderly securities and futures market operations, to protect investors and help promote Hong Kong as an international financial centre and a key financial market in the PRC. The SFC's regulatory objectives as set out in the SFO are:

- to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry;
- to promote understanding by the public of financial services including the operation and functioning of the securities and futures industry;
- to provide protection for members of the public investing in or holding financial products;
- to minimise crime and misconduct in the securities and futures industry;
- to reduce systemic risks in the securities and futures industry; and
- to assist the Financial Secretary of Hong Kong in maintaining the financial stability of Hong Kong by taking appropriate steps in relation to the securities and futures industry.

Parties regulated by the SFC include, but are not limited to, licensed corporations and individuals carrying on Type 1 to Type 10 regulated activities under the SFO, investment products offered to the public, listed companies, the Stock Exchange, approved share registrars and all participants in trading activities.

SECURITIES AND FUTURES ORDINANCE

Licensing regime

The SFC operates a system of authorising corporations and individuals (through licences) to act as financial intermediaries. The SFO is the primary legislation regulating the securities and futures industry in Hong Kong, including the regulation of securities, futures and leveraged foreign exchange markets, intermediaries and their conduct of regulated activities and the offering of investments to the public in Hong Kong. The SFO is administered by the SFC.

REGULATORY OVERVIEW

Under the SFO, a person who:

- (a) carries on a business in a regulated activity; or
- (b) holds itself out as carrying on a business in a regulated activity,

must be licensed under the relevant provisions of the SFO to carry on that regulated activity, unless one of the exceptions under the SFO applies.

Further, if a person actively markets (whether in Hong Kong or from a place outside Hong Kong) to the public in Hong Kong any services it provides and such services, if provided in Hong Kong, would constitute a regulated activity, then that person will also be subject to the licensing requirements under the SFO.

In addition to the licensing requirements on corporations, any individual who:

- (a) performs any regulated function in relation to a regulated activity carried on as a business; or
- (b) holds himself out as performing such regulated function,

must separately be licensed under the SFO as a licensed representative accredited to his principal.

Through licensing, the SFC regulates the financial intermediaries of licensed corporations and individuals that are carrying out the following regulated activities:

Type 1:	Dealing in securities
Type 2:	Dealing in futures contracts
Type 3:	Leveraged foreign exchange trading
Type 4:	Advising on securities
Type 5:	Advising on futures contracts
Type 6:	Advising on corporate finance
Type 7:	Providing automated trading services
Type 8:	Securities margin financing
Type 9:	Asset management
Type 10:	Providing credit rating services

The SFO provides for a single licensing regime under which a person needs only one licence to carry on different types of regulated activities.

As at the Latest Practicable Date, our subsidiary, PSL, is licensed under the SFO for Type 1 regulated activities.

REGULATORY OVERVIEW

RESPONSIBLE OFFICER

For each regulated activity conducted by a licensed corporation, it must appoint at least two Responsible Officers, at least one of whom must be an executive director, to supervise the business of the regulated activity. A Responsible Officer is an individual approved by the SFC to supervise the regulated activity or activities of the licensed corporation to which he is accredited. For each regulated activity, it must have at least one Responsible Officer available at all times to supervise the business. The same individual may be appointed to be a Responsible Officer for more than one regulated activity provided that he is fit and proper to be so appointed and that there is no conflict in the roles assumed. In addition, every director of the licensed corporation who actively participates in or is responsible for directly supervising its regulated activity or activities must apply to the SFC to become a Responsible Officer.

Qualification and experience required for being a Responsible Officer

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

If a Responsible Officer intends to conduct regulated activities in relation to matters falling within the ambit of a particular code issued by the SFC, for instance, the Takeovers Code or the Code on Real Estate Investment Trusts, additional competence requirements specific to that field would apply.

LICENSED REPRESENTATIVE

An individual is required to be a Licensed Representative if he is performing a regulated function for his principal which is a licensed corporation in relation to a regulated activity carried on as a business, or he holds himself out as performing such a function.

Qualification and experience required for being a Licensed Representative

A person who intends to apply to be a Licensed Representative must demonstrate his competence requirement under the SFO. An applicant has to establish that he has the requisite basic understanding of the market in which he is to work as well as the laws and regulatory requirements applicable to the industry. In assessing the applicant's competence to be licensed as a Licensed Representative, the SFC will have regards to the applicant's academic and industry qualifications and regulatory knowledge.

REGULATORY OVERVIEW

FIT AND PROPER

Persons applying for licences and registrations under the SFO, including the Licensed Representatives and the Responsible Officers, must satisfy and continue to satisfy after the grant of such licences that they are fit and proper persons to be licensed to carry out the relevant regulated activity.

Pursuant to section 129 of the SFO, in considering whether a person is fit and proper for the purposes of licensing or registration, the SFC shall, in addition to any other matter that the SFC may consider relevant, have regards to the following:

- (a) the financial status or solvency of the applicant;
- (b) the educational or other qualifications or experience of the applicant having regard to the nature of the functions to be performed;
- (c) the ability of the applicant to carry out the regulated activity concerned competently, honestly and fairly; and
- (d) the reputation, character, reliability and financial integrity of the applicant and, where the applicant is a corporation, any officer of the applicant.

The above matters must be considered in respect of the person (if an individual), the corporation and any of its officers (if a corporation other than an Authorised Institution) or the institution, its directors, chief executive, managers and executive officers (if an Authorised Institution).

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

- (a) decisions made by such relevant authorities as stated in section 129(2)(a) of the SFO or any other authority or regulatory organisation, whether in Hong Kong or elsewhere, in respect of that person;
- (b) in the case of a corporation, any information relating to:
 - (i) any other corporation within the group of companies; or
 - (ii) any substantial shareholder or officer of the corporation or of any of its group companies;

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- (c) in the case of a corporation licensed under section 116 or section 117 of the SFO or registered under section 119 of the SFO or an application for such licence or registration:
 - (i) any information relating to any other person who will be acting for or on its behalf in relation to the regulated activity; and
 - (ii) whether the person has established effective internal control procedures and risk management systems to ensure its compliance with all applicable regulatory requirements under any of the relevant provisions;
- (d) in the case of a corporation licensed under section 116 or section 117 of the SFO or an application for the licence, any information relating to any person who is or to be employed by, or associated with, the person for the purposes of the regulated activity; and
- (e) the state of affairs of any other business which the person carries on or proposes to carry on.

The SFC is obliged to refuse an application to be licensed if the applicant fails to satisfy the SFC that he is a fit and proper person to be licensed. The onus is on the applicant to make out a case that he is fit and proper to be licensed for the regulated activity. In relation to an application to be registered under section 119 of the SFO by an Authorised Institution, the SFC is obliged to have regard to the advice given to it by the HKMA as to whether it has been satisfied that the applicant is a fit and proper person and the SFC may rely on such advice wholly or partly.

KEY ON-GOING OBLIGATIONS OF LICENSED CORPORATIONS

Licensed corporations, Licensed Representatives and Responsible Officers must remain fit and proper at all times. They are required to comply with all applicable provisions of the SFO and its subsidiary rules and regulations as well as the codes and guidelines issued by the SFC.

Outlined below are some of the key on-going obligations of a licensed corporation:

Maintenance of minimum paid-up share capital and liquid capital

Depending on the type of regulated activity, licensed corporations have to maintain at all times paid-up share capital and liquid capital not less than the specified amounts according to the FRR. The FRR sets out the computation of a number of variables in respect of all the liquid assets and ranking liabilities of a licensed corporation and its liquid assets must exceed its ranking liabilities. If a licensed corporation conducts more than one type of regulated activity, the minimum paid-up share capital and liquid capital that it must maintain shall be the higher or the highest amount required amongst those regulated activities.

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If a licensed corporation offers credit facilities to its customers who would like to purchase securities on a margin basis, or provides financing for applications of shares in connection with IPOs, it must monitor its liquid capital level continuously in order to satisfy the FRR requirements. If the margin requirement of the licensed corporation increases, it would be required to maintain additional liquid capital.

Minimum paid up share capital

The following table summarises the minimum paid-up capital that a licensed corporation is required to maintain for Type 1 (dealing in securities) regulated activity:

Regulated activity	Minimum paid up share capital
Type 1	
a) in the case where the licensed corporation provides securities margin financing	HK\$10,000,000
b) in any other case	HK\$5,000,000

Minimum liquid capital

Pursuant to the FRR, a licensed corporation shall maintain a minimum liquid capital at all times of an amount the higher of (a) and (b) below:

- (a) The amount of:
 - (i) HK\$500,000 in the case of a corporation licensed for Type 1 regulated activity that is an approved introducing agent or trader; or
 - (ii) HK\$3,000,000 in the case of a corporation licensed for Type 1 regulated activity that provides securities margin financing; or
 - (iii) HK\$3,000,000 in the case of a corporation licensed for other Type 1 regulated activity.
- (b) 5% of the aggregate of:
 - (i) the licensed corporation's on-balance sheet liabilities including provisions made for liabilities already incurred or for contingent liabilities but excluding certain amounts stipulated in the definition of "adjusted liabilities" under the SFO;

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- (ii) the aggregate of the initial margin requirements in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients; and
- (iii) the aggregate of the amounts of margin required to be deposited in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients, to the extent that such contracts are not subject to payment of initial margin requirements.

Maintenance of segregated accounts and custody and handling of client securities

A licensed corporation must maintain segregated account(s), and custody and handling of client securities in accordance with the requirements of the SFCSR. The SFCSR sets out how intermediaries should manage client securities and securities collateral that are listed or traded on the Stock Exchange, and are received or held in Hong Kong by or on behalf of the intermediary in the course of the conduct of any regulated activity for which the intermediary is licensed or registered. Pursuant to section 10(1) of the SFCSR, an intermediary should take reasonable steps to ensure that client securities and securities collateral of the intermediary are not deposited, transferred, lent, pledged, repledged or otherwise dealt with except as provided in the SFCSR. Similarly, General Principal 8 of the Code of Conduct requires a licensed person to ensure that client assets are promptly and properly accounted for and are adequately safeguarded.

Maintenance of segregated account(s), and holding and payment of client money

A licensed corporation must maintain segregated account(s), and holding and payment of client money in accordance with the requirements under the Securities and Futures (Client Money) Rules (Chapter 571I of the Laws of Hong Kong) ("SFCMR"). The SFCMR sets out the requirements to ensure proper handling of client money. It prescribes the treatment of client money received or held in Hong Kong by licensed corporations.

Issue of contract notes, statements of account and receipts

A licensed corporation must issue contract notes, statements of accounts and receipts in accordance with the requirements under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules (Chapter 571Q of the Laws of Hong Kong) ("SFCNR"). The SFCNR requires all licensed corporations entering into contracts with or on behalf of their clients to provide contract notes to their clients in the course of regulated activities for which they are licensed or registered. For those intermediaries providing financial accommodation or entering into margined transactions with or on behalf of their clients, the SFCNR also requires that a statement of account including a summary of the details of the account be provided to clients. Additionally, licensed corporations are required to provide a monthly statement summarising all activity in the account, and, subject to some exceptions, receipts for client assets received.

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Record keeping requirements

A licensed corporation must keep records in accordance with the requirements under the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong) (“**SFKRR**”). The SFKRR requires licensed corporations to keep proper records. It prescribes the records that are to be kept by licensed corporations to ensure that they maintain comprehensive records in sufficient detail relating to their businesses and client transactions for proper accounting of their business operations and clients’ assets.

Submission of audited accounts

A licensed corporation must submit its audited accounts and other required documents in accordance with the requirements under the Securities and Futures (Accounts and Audit) Rules (Chapter 571P of the Laws of Hong Kong) (“**SFAAR**”). SFAAR prescribes the contents of the annual accounts and the auditor’s report of such accounts to be submitted by licensed corporations to the SFC. Licensed corporations and associated entities of intermediaries (except for those which are authorised financial institutions) are required to submit their audited accounts and other required documents within four months after the end of each financial year as required under section 156(1) of the SFO.

Submission of financial resources returns

Licensed corporations are required to submit monthly financial resources returns to the SFC except for those licensed corporations for only Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 9 (asset management) and/or Type 10 (providing credit rating services) regulated activities and their licences are subject to the condition that they shall not hold client assets. In such latter case, the licensed corporations concerned shall submit semi-annual financial resources returns to the SFC as required under section 56 of the FRR.

Payment of annual fees

Licensed corporations, licensed persons and registered institutions should pay annual fees within one month after each anniversary date of the licences or registrations under section 138(2) of the SFO. Details of the annual fees applicable to the type of the regulated activity that our Group is engaged in are as follows:

Type of intermediary	Annual fees for Type 1 regulated activity
Licensed corporation	HK\$4,740 per regulated activity
Licensed Representative (not approved as Responsible Officer)	HK\$1,790 per regulated activity
Licensed Representative (approved as Responsible Officer)	HK\$4,740 per regulated activity
Registered institution	HK\$35,000 per regulated activity

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Maintenance of insurance

A licensed corporation must maintain insurance against specific risks for specific amounts in accordance with the requirements under the Securities and Futures (Insurance) Rules (Chapter 571AI of the Laws of Hong Kong).

Notification to the SFC of certain changes and events

A licensed corporation must notify the SFC of certain changes and events, in accordance with the requirements under the Securities and Futures (Licensing and Registration (Information) Rules (Chapter 571S of the Laws of Hong Kong). Such changes and events that are required to be notified include, among others, changes in the basic information of the licensed corporation, its controlling persons and Responsible Officers, or subsidiaries that carry out a business in a regulated activity, changes in the capital and shareholding structure of the licensed corporation, and significant changes in business plan.

Continuous professional training

According to the Guidelines on Continuous Professional Training published by the SFC pursuant to section 399 of the SFO, a licensed corporation is held primarily responsible for designing and implementing a continuous education system best suited to the training needs of the individuals they engage which will enhance their industry knowledge, skills and professionalism. A licensed corporation should at least annually evaluate the training needs of the individuals they engage. Licensed individuals must undertake a minimum of five continuous professional training hours per calendar year for each regulated activity he engages in, except for Type 7 (providing automated trading services) regulated activity.

Obligation for substantial shareholder

As required under section 131 of the SFO, a person (including a corporation) has to apply for the SFC's approval prior to becoming or continuing to be a substantial shareholder of a licensed corporation. A person, being aware that he becomes a substantial shareholder of a licensed corporation without the SFC's prior approval should, as soon as reasonably practicable and in any event within three business days after he becomes so aware, apply to the SFC for approval to continue to be a substantial shareholder of the licensed corporation.

Prior approval would also need to be obtained from the SFC in cases such as addition or reduction of regulated activity, modification or waiver of licensing conditions, and change of financial year end.

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Employee dealings

As mentioned in the Code of Conduct, a licensed or registered person should have a policy which has been communicated to employees (including directors other than non-executive directors) in writing on whether employees are permitted to deal for their own accounts in securities. In the event that employees of a licensed or registered person are permitted to deal for their own accounts in securities:

- (i) the written policy should specify the conditions on which employees may deal for their own accounts;
- (ii) employees should be required to identify all related accounts (including accounts of their minor children and accounts in which the employees hold beneficial interests) and report them to senior management;
- (iii) employees should generally be required to deal through the licensed or registered person or its affiliates;
- (iv) if the licensed or registered person provides services in securities or futures contracts listed or traded on one of the Hong Kong exchanges or in derivatives, including over-the-counter derivatives written over such securities, and its employees are permitted to deal through another dealer in those securities, the licensed or registered person and employee should arrange for duplicate trade confirmations and statements of account to be provided to senior management of the licensed or registered person;
- (v) any transactions for employees' accounts and related accounts should be separately recorded and clearly identified in the records of the licensed or registered person; and
- (vi) transactions of employees' accounts and related accounts should be reported to and actively monitored by senior management of the licensed or registered person who should not have any beneficial or other interest in the transactions and who should maintain procedures to detect irregularities and ensure that the handling by the licensed or registered person of these transactions or orders is not prejudicial to the interests of the licensed or registered person's other customers.

A licensed or registered person should not knowingly deal in securities or futures contracts for another licensed or registered person's employee unless it has received written consent from that licensed or registered person.

REGULATORY OVERVIEW

Implementation of anti-money laundering and terrorist financing policies and procedures

Money laundering covers a wide range of activities and processes intended to alter the identity of the source of criminal proceeds in a manner which disguises their illegal origin. Terrorist financing is a term which includes the financing of terrorist acts, and of terrorists and terrorist organisations. It extends to any funds, whether from a legitimate or illegitimate source.

Licensed corporations are required to comply with applicable anti-money laundering laws and regulations in Hong Kong. The four main pieces of legislation in Hong Kong that are concerned with money laundering and terrorist financing are the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Cap 615), the Drug Trafficking (Recovery of Proceeds) Ordinance (Cap 405), the Organised and Serious Crimes Ordinance (Cap 455) and the United Nations (Anti-Terrorism Measures) Ordinance (Cap 575). The SFC has also published the Prevention of Money Laundering and Terrorist Financing Guidance Note (September 2009), which was superseded by the (1) Prevention of Money Laundering and Terrorist Financing Guideline (April 2012); and (2) Guideline on Anti-Money Laundering and Counter-Terrorist Financing (July 2012) which require licensed corporations to, among other things, adopt and enforce "know-your-clients" policies and procedures. Staff of licensed corporations who know, suspect or have reasonable grounds to believe that a customer might have engaged in money laundering activities must immediately report to the compliance division/senior management of its organisation which, in turn, will report to the Joint Financial Intelligence Unit.

HONG KONG EXCHANGES AND CLEARING LIMITED

Apart from the SFC, the Stock Exchange also plays a leading role in regulating companies seeking admission to the Hong Kong markets and supervising those companies once they are listed.

The HKEx is a recognised exchange controller under the SFO. It owns and operates the only stock and futures exchanges in Hong Kong, namely the Stock Exchange and The Hong Kong Futures Exchange Limited, and their related clearing houses. The duty of HKEx is to ensure orderly and fair markets and that risks are managed prudently, consistent with the public interest and in particular, the interests of the investing public.

In its role as the operator and frontline regulator of the central securities and derivatives marketplace in Hong Kong, HKEx regulates listed issuers; administers listing, trading and clearing rules; and provides services, primarily at the wholesale level, to participants and users of the exchanges and clearing houses, including issuers and intermediaries – such as investment banks or sponsors, securities and derivatives brokers, custodian banks and information vendors – who service the investors directly. These services comprise of trading, clearing and settlement, depository and nominee services, and information services.

REGULATORY OVERVIEW

REGULATIONS AND SUPERVISION OF MONEY LENDING BUSINESS IN HONG KONG

The MLO and the Money Lenders Regulations (the “**Relevant Statutes**”) are the principal statutes which govern money lending businesses in Hong Kong. The Relevant Statutes provide that a person carrying on business as a money lender in Hong Kong must obtain a Money Lenders Licence. The Relevant Statutes also provide for, amongst other things:

- (a) the control and regulation of money lenders and their money lending transactions;
- (b) the appointment of the Registrar of Money Lenders and the licensing of persons carrying on business as money lenders; and
- (c) the protection and relief against excessive interest rates and extortionate stipulations in respect of loans.

Governing authorities

There are three governing authorities of the money lending industry in Hong Kong, namely:

- the Licensing Court – comprising a magistrate sitting alone and responsible for determination of applications for and granting or renewing of Money Lenders Licences;
- the Registrar of Money Lenders – responsible for processing new and renewal applications for Money Lenders Licences, endorsement on Money Lenders Licences and maintaining a register of money lenders for inspection by members of the public. The Registrar of Companies presently performs the above functions of the Registrar of Money Lenders; and
- the Commissioner of Police – responsible for carrying out investigation in respect of applications for and endorsements on Money Lenders Licences, complaints against money lenders and enforcement of the Money Lenders Ordinance.

Money Lenders Licence

The Money Lenders Ordinance prohibits a person from carrying on business as a money lender (i) without a Money Lenders Licence; (ii) at any premises other than that specified in the Money Lenders Licence; or (iii) otherwise than in accordance with the conditions of the Money Lenders Licence. Every Money Lenders Licence shall authorise the person or entity named therein to carry on business as a money lender for a period of 12 months from the day it is granted, or from the day immediately following the previous expiry date if a renewed licence. A Money Lenders Licence is not generally transferable and a licensee may apply for the renewal of its licence within a period of three months prior to the expiration of its Money Lenders Licence.

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Application for and renewal of Money Lenders Licence

Information to be submitted to the Registrar

For an application for or the renewal of a Money Lenders Licence, an applicant is required to submit an application form and a statement in prescribed form together with the prescribed application fee to the Registrar of Money Lenders. For a corporate applicant, the application shall also include the appropriate evidence of authorisation to prove that the application for or renewal of the Money Lenders Licence is made by a person authorised on behalf of such applicant.

Corporate and banking information and details of the directors, past directors, management, controllers and shareholders of the corporate applicant shall be provided to the Registrar of Money Lenders for its consideration when applying for or renewing the Money Lenders Licence. Such information and details to be provided to the Registrar of Money Lenders include the following:

- Corporate information – (i) the name and (in the case of a new application for a licence) any former names (in English and Chinese) of the applicant; (ii) its date and place of incorporation (in the case of a new application for a licence); (iii) the date of the certificate of registration issued in respect of the applicant under Part 16 of the Companies Ordinance if the applicant is a non-Hong Kong company (in the case of a new application for a licence); (iv) the address of its registered office; and (v) the address and telephone number of each of the place at which the applicant's money lending business is carried on.
- Banking information in relation to each bank at which an account is kept or proposed to be kept in connection with a money lending business – (i) the name of each of the banks; (ii) the address of each of the banks; (iii) the number of accounts maintained at each of the banks; and (iv) the date on which the amount was opened.
- Personal particulars of the current (and, if applicable, previous) directors of the applicant – (i) English and (if applicable) Chinese names and commercial codes; (ii) residential addresses; (iii) period of services as directors of the applicant (if applicable); (iv) Hong Kong identity card numbers; and (v) aliases.
- Particulars of six principal shareholders (or all the shareholders if less than six) – (i) English and (if applicable) Chinese names and codes; (ii) residential addresses; (iii) details of their shareholding in the applicant; and (iv) in the case of a new application for a licence, particulars of the beneficial owners (if the principal shareholders of the applicant are not the beneficial owners of the shares of the applicant).

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Investigation and lodgement of application

Application for or renewal of a Money Lenders Licence is made to the Registrar of Money Lenders, and such application is copied to the Commissioner of Police. The Commissioner of Police may conduct an investigation in respect of the application for the purpose of determining whether, in the opinion of the Commissioner of Police, there are grounds for objecting to the application, and may in writing require the applicant to produce for inspection such books, records or documents or to furnish such information relating to the application or any business conducted or intended to be conducted by him as the Commissioner of Police may specify.

Other than registration of the application by the Registrar of Money Lenders, no other step shall be taken prior to the earlier of: (i) the expiry of 60 days after the application date, or (ii) the date on which the Commissioner of Police notifies the Registrar of Money Lenders that any investigation on the application has been completed (such earlier date being the "**Relevant Date**").

In the event the Registrar of Money Lenders or the Commissioner of Police wishes to object to an application for a Money Lenders Licence on any ground, he shall serve on the applicant a notice of his intention to object (stating his ground(s) of objection thereon) not later than seven days after the Relevant Date.

The Registrar of Money Lenders shall then lodge the application for a Money Lenders Licence with the Licensing Court (together with any notice of objection) on the expiry of a period of seven days after the Relevant Date.

Where a licensee intends to conduct business as a money lender at other premises in addition to the premises specified in his licence, he may apply to the Licensing Court to have such additional premises endorsed on his licence.

Determination of application for or renewal of licence by Licensing Court

The Licensing Court comprises a Magistrate sitting alone and is empowered to hear and determine whether to grant or renew the Money Lenders Licence.

Qualification criteria for the grant or renewal of Money Lenders Licences

The Licensing Court shall not grant a Money Lenders Licence to an applicant who is convicted of an offence under the Money Lenders Ordinance and in respect of whom there is in force an order made by a court disqualifying such person from holding a Money Lenders Licence. In addition, the Licensing Court shall not grant a licence for or renew a Money Lenders Licence on application if either one or more of the following circumstances arise:

- (i) the application is subject to an objection by the Registrar of Money Lenders;
- (ii) the application is subject to an objection by the Commissioner of Police; or

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- (iii) the application is subject to an objection by any other person who has served notice of his intention to object, or any other person who is granted leave by the Licensing Court to make such an objection,

unless the Licensing Court is satisfied that:

- (i) the applicant is a fit and proper person to carry on business as a money lender;
- (ii) if the applicant is a company, that any person who controls such company or in accordance with whose directions or instructions the directors thereof are accustomed to act, is a fit and proper person to be associated with the money lending business;
- (iii) any person responsible (or proposed to be responsible) for the management of the applicant's business or any part thereof, or, if the applicant is a company, any director, secretary or other officer of the company, is a fit and proper person to be associated with the money lending business;
- (iv) the applicant's name under which the Money Lenders Licence is applied for is not misleading or otherwise undesirable;
- (v) the premises to be used in the applicant's money lending business are suitable for carrying on the business of money lending;
- (vi) the applicant has complied with the provisions of the Money Lenders Ordinance and any regulations relating to the application; and
- (vii) that in all the circumstances the grant of such licence is not contrary to the public interest.

The Licensing Court may impose conditions on licences granted or renewed as it deems fit.

Revocation or suspension of Money Lenders Licence by the Licensing Court

The Licensing Court may determine its own procedure subject to the Money Lenders Ordinance. On the application of the Registrar of Money Lenders or the Commissioner of Police, the Licensing Court may make an order to revoke or suspend any Money Lenders Licence granted if it is of the opinion that:

- (i) the licensee has ceased to become a fit and proper person to carry on business as a money lender; or
- (ii) the premises specified in the Money Lenders Licence or any of such premises have, or the situation thereof has, ceased to be suitable for the carrying on of the business of money lending; or

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- (iii) the licensee has been in serious breach of any condition of the Money Lenders Licence or has ceased to satisfy any other condition relating to his or her business as a money lender in respect of which the Licensing Court is required to be satisfied; or
- (iv) the business of the licensee has been carried on at any time or on any occasion since the date on which the licence was granted by recourse to the use of any methods, or in any manner, contrary to the public interest.

Duty to notify the Registrar of Money Lenders of changes of certain particulars

The following changes to any particulars entered into the register in respect of any licensee (which is a company), must be notified by the licensee to the Registrar of Money Lenders in writing within 21 days after such changes taking place:

- (i) the officers of such licensee;
- (ii) the control of such licensee by any person; and
- (iii) the number of shares, or shares of a prescribed class, of such licensee held by any person whereby the number of those shares exceeds the prescribed proportion of the number of issued shares or of the number of shares of that class (as the case may be).

Our licensing history and compliance with the Money Lenders Ordinance

Our money lending business is conducted by our wholly-owned subsidiary PCGL. PCGL commenced its money lending business in March 2013, soon after obtaining the Money Lenders Licence granted by the Licensing Court.

Our Money Lenders Licence has been successfully renewed by the Licensing Court annually since commencement of our money lending business in March 2013 and our present Money Lenders Licence is valid until 14 February 2015. An application has been submitted for the renewal of our Money Lenders Licence on 18 November 2014. We have received a letter of no objection from the Commissioner of Police to the renewal of our Money Lenders Licence.

Regulations of money lending transactions

(I) Money Lenders Ordinance

The Money Lenders Ordinance imposes a number of regulations on the transactions and arrangements which may be conducted by a licensed money lender, including among others, the following:

(a) Requirement of a written agreement

Section 18 of the Money Lenders Ordinance provides that no agreement for the repayment of money lent by a money lender or for the payment of interest on money so lent, and no security given to any money lender in respect of any such agreement or loan

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shall be enforceable unless a note or written memorandum of the agreement (containing the information specified in the Money Lenders Ordinance) is signed personally by the borrower within seven days after making of the agreement, and a copy of such note or memorandum is given to the borrower at the time of signing.

The note or memorandum shall contain all the terms of the agreement and in particular shall set out:

- (i) the name and address of the money lender;
- (ii) the name and address of the borrower;
- (iii) the name and address of the surety, if any;
- (iv) the amount of the principal of the loan in words and figures;
- (v) the date of the making of the agreement;
- (vi) the date of the making of the loan;
- (vii) the terms of repayment of the loan;
- (viii) the form of security for the loan, if any;
- (ix) the rate of interest charged on the loan expressed as a rate per cent per annum or the rate per cent per annum represented by the interest charged as calculated in accordance with Schedule 2 of the Money Lenders Ordinance; and
- (x) a declaration as to the place of negotiation and completion of the agreement for the loan.

Section 18(3) of the Money Lenders Ordinance states that, if the court before which the enforceability of any agreement or security comes in question is satisfied that in all the circumstances it would be inequitable that any such agreement or security which does not comply with section 18 should be held not to be enforceable, the court may order that such agreement is enforceable to such extent, and subject to such modifications or exceptions, as the court considers equitable.

Pursuant to sections 29 and 32 of the Money Lenders Ordinance, any money lender who contravenes section 18 commits an offence and is liable to a fine of HK\$100,000 and to imprisonment for two years.

Section 26 of the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong) provides that for offences other than an indictable offence (being any crime or offence for which a Magistrate is authorised or empowered or required to commit the accused person to prison for trial before the Court), unless any other law which provides otherwise, a complaint in respect of the breach to any relevant government authority shall be made within six months from the time when the matter of such complaint arose.

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An offence pursuant to section 18 of the Money Lenders Ordinance is not an indictable offence but a summary offence. As such, the relevant time limit for making any complaint under section 18 of the Magistrates Ordinance is six months under section 26 of the Magistrates Ordinance.

(b) Duty to give information to borrower

Section 19 of the Money Lenders Ordinance stipulates that a licensed money lender shall, on demand in writing being made by the borrower at any time during the continuance of the loan agreement, and, on the borrower paying the relevant fees, provide a statement signed by the licensed money lender or his agent, to the borrower or any other person specified by the borrower in his demand, showing certain information including, amongst others, (i) the date on which the loan was made, the amount of principal and interest rate charged; (ii) the amount of any payments already received by the money lender and the date(s) of such payments; and (iii) the amount not yet due which remains outstanding, and the date on which it will become due.

A licensed money lender who fails to comply with section 19 of the Money Lenders Ordinance without reasonable excuse within one month after the demand has been made by the borrower shall not, as long as the default continues, be entitled to sue the borrower or recover any sum due, whether for principal or interest, under the agreement, and that interest shall not be chargeable during the period of default.

However, this duty does not apply to any licensed money lender in respect of any demand made by a borrower within one month after a previous demand relating to the same agreement has been complied with.

(c) Borrowers entitled to early repayment

Section 21 of the Money Lenders Ordinance provides that any borrower under any agreement for the loan of money by a licensed money lender is entitled to, by giving written notice to the licensed money lender at any time, make early repayment of all outstanding principal under the agreement together with the relevant interest calculated up to the date of such early payment to discharge his indebtedness under the agreement.

(d) Terms rendering an agreement illegal

Section 22 of the Money Lenders Ordinance renders any agreement made for the loan of money by a money lender illegal if it provides directly or indirectly for:

- (i) the payment of compound interest;
- (ii) prohibition of repayment of the loan by instalments; or
- (iii) the rate or amount of interest being increased by reason of any default in the payment of sums due under the agreement.

REGULATORY OVERVIEW

However, if default is made in the payment upon the due date of any sum payable under the agreement, whether in respect of principal or interest, the money lender shall be entitled to charge simple interest, subject to Part IV of the Money Lenders Ordinance, on that sum from the date of the default until the sum is paid at an effective rate not exceeding the effective rate payable in respect of the principal apart from any default, and any interest so charged shall not be reckoned for the purposes of the Money Lenders Ordinance as part of the interest charged in respect of the loan. According to section 2 of the Money Lenders Ordinance, the MLO Effective Interest Rate, in relation to interest, means the true annual percentage rate of interest calculated in accordance with Schedule 2 of the Money Lenders Ordinance.

However, when deciding on the legality of any agreement, if the court is satisfied that in all the circumstances of a particular case, it would be inequitable for any agreement which does not comply with section 22 of the Money Lenders Ordinance to be held unenforceable, the court may order that such agreement is enforceable to such extent, and subject to such modifications or exceptions, as the court considers equitable.

(e) Maximum interest rate chargeable by a money lender

Section 24 of the Money Lenders Ordinance stipulates that it is a criminal offence for any person (whether a licensed money lender or not) to lend or offer to lend money at a MLO Effective Interest Rate which exceeds 60.0% per annum. No agreement for the repayment of, or for the payment of interest on, any such loan and no security given in respect of any such agreement or loan shall be enforceable in any case.

Any person who contravenes this section commits an offence and is liable:

- (i) on summary conviction to a fine of HK\$500,000 and to imprisonment for two years; or
- (ii) on conviction on indictment to a fine of HK\$5.0 million and to imprisonment for ten years.

(f) Authority of the court to re-open loan transactions as it may think fit

Section 25 of the Money Lenders Ordinance provides that if in any proceedings for the recovery of any money lent or the enforcement of any agreement or security in respect of any loan, the court is satisfied the transaction is extortionate, the court may re-open the transaction and make such orders and give such directions as it may think fit. A transaction is extortionate if (i) it requires the borrower or a relative of his to make payments (whether unconditionally or on certain contingencies) which are grossly exorbitant; or (ii) it otherwise grossly contravenes ordinary principles of fair dealing. Any agreement for the repayment of a loan or for the payment of interest on a loan in respect of which the MLO effective rate of interest exceeds 48.0% per annum shall be presumed to be a transaction which is extortionate.

REGULATORY OVERVIEW

If the court, having regard to all circumstances relating to the agreement, is satisfied that such rate is not unreasonable or unfair, the court may (except where such rate exceeds 60.0% per annum) declare that any such agreement is not extortionate. Factors and evidence which the court may take into account when deciding whether a transaction is extortionate or not include, amongst others, (i) interest rate prevailing at the time; (ii) the borrower's age, experience, business capacity and state of health; (iii) the degree to which, at the time of entering into the transaction, the borrower was under financial pressure and the nature of that pressure; and (iv) the degree of risk accepted by the money lender in that particular transaction, having regard to the nature and value of any security provided by the borrower.

(g) Incidental charge for granting of loans not allowed

Section 27 of the Money Lenders Ordinance renders any agreement entered into between a licensed money lender and a borrower (or intending borrower) to provide for the payment by the borrower to the licensed money lender of any sum for or on account of costs, charges or expenses (other than stamp duties or similar duties) incidental to or relating to the negotiations for or the granting of the loan or proposed loan or the guaranteeing or securing of the repayment thereof illegal.

It is also illegal for any licensed money lender or his partner, employer, employee, principal or agent or any person acting for or in collusion with any licensed money lender to charge, recover or receive any sum as for or on account of any such costs, charges or expenses (other than stamp duties or similar charges) or to demand or receive any remuneration or reward whatsoever from a borrower or intending borrower for or in connection with or preliminary to procuring, negotiating or obtaining any loan made or guaranteeing or securing the repayment of a loan.

(h) Exempt loans from the provisions of the Money Lenders Ordinance

As detailed in Part 2, Schedule 1 of the Money Lenders Ordinance, certain types of loan granted by licensed money lenders are exempted from the provisions of the Money Lenders Ordinance (except sections 24 and 25 as described above, which apply to any person (whether a licensed money lender or not)). These types of loans include, amongst others, (i) loans made bona fide by an employer to its employee; (ii) loans made to a company secured by certain registrable mortgages, charges, liens or other encumbrances; (iii) loans made under bona fide credit card schemes; (iv) loans made bona fide for the purchase of immovable property on the security of a mortgage; (v) loans made to a company the shares or debentures of which are listed on a recognised stock market; and (vi) loans made to a company that has a paid up share capital of not less than HK\$1.0 million or an equivalent amount in any other currencies freely convertible into Hong Kong dollars, or any currencies approved in writing by the Registrar of Money Lenders.

(i) Conviction of offence under the Money Lenders Ordinance

Pursuant to section 32 of the Money Lenders Ordinance, where any person is convicted of an offence under the Money Lenders Ordinance, the Magistrate may order that such person shall be disqualified from holding a licence for such period not exceeding five years from the date of such conviction as may be specified in the order.

REGULATORY OVERVIEW

(II) Money Lenders Regulations

The Money Lenders Regulations are the subsidiary legislation of the Money Lenders Ordinance. They primarily govern administrative matters in relation to the operation of money lender businesses, such as regulating certain procedures, formats, fees, etc. for applications and renewals of Money Lender Licences. Our Group has to follow such prescribed forms and procedures etc. when making relevant applications and conducting our money lending business.

(III) Other laws and regulations

In addition to the Relevant Statutes, there are other laws and regulations in force in Hong Kong which are also relevant to our money lending business. These laws and regulations mainly provide for anti-money laundering and protection of data privacy.

Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong), Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong), United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong), and the United Nations Sanctions Ordinance (Chapter 537 of the Laws of Hong Kong)

These Hong Kong laws primarily concern money laundering and stipulate that it is an offence for any person to carry on a transaction or a series of transactions effected with the aim to conceal, or change the identity of criminal proceeds or disguise the origin of funds. It is also illegal under these laws for any person to deal in any property which represents proceeds obtained from drug trafficking or any indictable offence. They also require disclosure by any person of his knowledge or suspicion of any such property, or of Terrorist Property (as defined below).

(a) Drug Trafficking (Recovery of Proceeds) Ordinance

The Drug Trafficking (Recovery of Proceeds) Ordinance came into force in September 1989. It provides for the tracing, freezing and confiscation of the proceeds of drug trafficking and creates a criminal offence of money laundering in relation to such proceeds.

(b) Organized and Serious Crimes Ordinance

The Organized and Serious Crimes Ordinance came into operation in December 1994. It extends the money laundering offence to cover the proceeds of indictable offences in addition to drug trafficking.

(c) United Nations (Anti-Terrorism Measures) Ordinance

The United Nations (Anti-Terrorism Measures) Ordinance came into force in 2002. This ordinance seeks to implement the mandatory elements of the United Nations Security Council Resolution aimed at combating international terrorism on various fronts.

REGULATORY OVERVIEW

The ordinance provides that it would be a criminal offence to: (i) provide or collect funds (by any means, directly or indirectly) with the intention or knowledge that the funds will be used to commit, in whole or in part, one or more terrorist acts; or (ii) make any funds or financial (or related) services available, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate. The ordinance also requires a person to report his knowledge or suspicion of Terrorist Property to an authorised officer, and failure to make such disclosure constitutes an offence under the ordinance. "Terrorist Property", as defined in section 2, refers to property of a terrorist or terrorist associate, or any other property that is intended to be used to finance or otherwise assist the commission of a terrorist act; or was used to finance or otherwise assist the commission of a terrorist act.

Sections 7 and 8 of the United Nations (Anti-Terrorism Measures) Ordinance prohibit a person from providing any property knowing that the property will be used, in whole or in part, to commit one or more terrorist acts. It also prohibits a person from making any property or financial services available to or for the benefit of a person knowing that, or being reckless as to whether, the person is a terrorist or terrorist associate, except under the authority of a licence granted by the Secretary for Security of Hong Kong.

Section 12 of the United Nations (Anti-Terrorism Measures) Ordinance regulates the disclosure of knowledge or suspicion that property is Terrorist Property. Where a person knows or suspects that any property is Terrorist Property, the person shall disclose to a police officer, a member of the Customs and Excise Service, a member of the Immigration Service, or an officer of the Independent Commission Against Corruption (an "**Authorised Officer**") the information or other matter on which the knowledge or suspicion is based, as soon as is practicable after that information or other matter comes to the person's attention. It is an offence for failing to disclose to an Authorised Officer such information, and it is also an offence to disclose any information to other parties that may prejudice the investigation.

(d) United Nations Sanctions Ordinance

The United Nations Sanctions Ordinance was enacted to implement resolutions of the Security Council of the United Nations to impose targeted sanctions in Hong Kong against certain jurisdictions as instructed by the Ministry of Foreign Affairs of the PRC. As at the Latest Practicable Date, there were 63 regulations made under this ordinance relating to around 19 jurisdictions, including but not limited to Liberia, Libya, Afghanistan, Eritrea, and the Democratic Republic of the Congo. There are prohibitions against trade-related activities, which include making available to, or for the benefit of, certain persons or entities, any funds or other financial assets or economic resources, or dealing with funds or other financial assets or economic resources of certain persons or entities from the above jurisdictions.

REGULATORY OVERVIEW

Section 3(3) of the United Nations Sanctions Ordinance provides that a contravention or breach of different sanctions or trade restrictions in the regulations shall be punishable on summary conviction by a fine not exceeding HK\$500,000 and imprisonment for a term not exceeding two years; on conviction on indictment by an unlimited fine and imprisonment for a term not exceeding seven years. We believe that these penalties aim to deter trading activities breaching the sanctions or trade restrictions imposed under the Laws of Hong Kong, or by the United Nations.

Our Directors confirm that we have been in compliance with these legislations.

(e) Personal Data (Privacy) Ordinance

The nature of our business inevitably requires that we collect, keep, and make use of our customers', and potential customers' personal data on a frequent and regular basis. As a result of which, we have to follow the fair information practices as stipulated in the data protection principles of the PDPO. We inform our customers of their rights under the PDPO and the purpose for which their data may be used.

Although we owe a duty of confidentiality to our customers under the relevant laws and regulations on protection of data privacy, we are required, and are entitled to report any suspicious cases to the relevant authorities. Legislations in Hong Kong such as the Drug Trafficking (Recovery of Proceeds) Ordinance require that disclosure of certain suspicious transactions be made under the legislation. Such disclosures are not to be treated as a breach of any restriction upon the disclosure of information imposed by contract or by any enactment, rule of conduct or other legislation provision, and any person making such disclosure shall not be liable in damages for any loss which may arise out of such disclosure.

Further, section 58 of the PDPO provides that if personal data is used for any of the purposes referred to in section 58(1) of the PDPO (which includes but is not limited to prevention or detection of crime, prosecution or detention of offenders, and prevention, preclusion or remedying of unlawful or seriously improper conduct or dishonesty or malpractice by persons, etc.) ("**Exempted Matters**") and the application of the personal data protection principle in relation to such use would be likely to prejudice any of the Exempted Matters, then: (i) such personal data is exempted from the provisions of such data protection principle; and (ii) if there are proceedings against any person for a contravention of any of those provisions of the PDPO, it shall be a defence if that person can show that he has reasonable grounds for believing that failure to so use the data would have been likely to prejudice any of the Exempted Matters.

Amendments to the PDPO came into effect on 1 April 2013 and the new Part 6A of the PDPO imposes new regulations on the use and provision of personal data in direct marketing. Under the new amendments, if customers' personal data is intended to be used in direct marketing, customers must be notified and their consent must be obtained before using or transferring any of their personal data to another person. Furthermore, customers

REGULATORY OVERVIEW

must be notified of their opt-out right when using their personal data in direct marketing for the first time. Customers are entitled to require us to cease using their personal data at any time. Under these amendments to the PDPO, customers shall not be charged for the compliance with these amendments.

(f) Code of Money Lending Practice (the "Code")

The Code is issued by The Hong Kong S.A.R. Licensed Money Lenders Association Limited. The importance of the Code is that it sets out the best practice of money lending services, and the major clauses of the Code are reproduced generally below:

- (i) the terms and conditions should, where applicable, highlight the relevant interest rates or the basis on which this will be determined, and the customers' liabilities and obligations in the use of a service. In drawing up terms and conditions for the services, members should have due regard to applicable laws in Hong Kong;
- (ii) licensed money lenders should at all times comply with the PDPO in the collection, use and holding of customer information. They should also comply with any relevant codes of practice issued or approved by the Privacy Commissioner for Personal Data giving practical guidance on compliance with the PDPO;
- (iii) approval of loans should be subject to members' credit assessment which should take into account the applicants' ability to repay. Licensed money lenders should endeavour to ensure that a prospective borrower understands the principal terms and conditions of any borrowing arrangement, such as the interest rates and terms of repayment; and
- (iv) licensed money lenders should have proper systems and procedures in place for the selection of debt collection service providers and the monitoring of their performance. They should also establish procedures to handle complaints received from customers and should bring apparently illegal behavior by debt collection service providers to the attention of the police.

Accordingly, we have taken some measures to follow the best practice set out in the Code. These include (i) establishing "know your client" procedures to assess clients' backgrounds; and (ii) requiring all the transfer of funds/transactions being made through bank transfers, cheque or direct cash deposit.

Our Directors confirm that to the best of their knowledge, our Group has followed the best practice set out in the Code.

REGULATORY OVERVIEW

Approval for the Reorganisation and the Listing

On [●], we have obtained approval from the SFC regarding the change of substantial shareholder in PIGL (being the immediate shareholder of PSL) under the Reorganisation. On [●], we have notified the Registrar of Money Lenders in relation to the change of shareholder of PIL (being the immediate and substantial shareholder of PCGL) under the Reorganisation. For details of the Reorganisation, please refer to the section headed "History, Reorganisation and corporate structure" of this document.

Save for the approval from the Stock Exchange, no other regulatory approval is required for the Listing.

For shareholder's approval, please refer to the paragraph headed "Further information about our Group – Resolutions in writing of our Shareholders passed on [●]" in Appendix IV to this document.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

HISTORY AND DEVELOPMENT

Our history

Our history can be traced back to March 2012 when Mr. Jonathan Cheung, using his personal financial resources, acquired PSL in Hong Kong. PSL obtained a licence to carry out Type 1 (dealing in securities) regulated activity under the SFO on 13 September 2012 and commenced its business operations in December 2012 after being admitted as an Exchange Participant to provide brokerage, margin financing as well as placing and underwriting services to individual and corporate clients, who are primarily interested in investing in securities of small- to medium-sized listed companies. For further details relating to the business of PSL, please refer to the section headed "Business" of this document.

Prior to acquiring PSL, Mr. Jonathan Cheung worked at a Swiss-based multinational investment bank and at an asset management firm where he developed a sound understanding of the financial industry. Through working with various personnel in the financial sector, Mr. Jonathan Cheung familiarised himself with different aspects of the financial industry and accumulated experience while establishing a network of relationships. He also garnered management experience and understanding of corporate governance through assuming executive and non-executive directorships at listed companies on the Stock Exchange between July 2011 to October 2013.

Mr. Jonathan Cheung, having identified the growing investment interest in small- to medium-sized listed companies which he believed was not addressed adequately by traditional financial institutions at the time, acquired PSL in March 2012 to set up a financial service provider to cater for such specific investment appetites. He subsequently invited Mr. Henry Cheung, his father, to be a director of PSL in December 2012 with a view to leverage on Mr. Henry Cheung's know-how and personal network in the financial and business sectors. Following the development of our business, as evidenced by our loan book exceeding HK\$50.0 million by March 2013, Mr. Henry Cheung, being confident in the growth potential of our Group, injected capital and became a shareholder of PSL via PGL in May 2013. For further details relating to the experience and backgrounds of Mr. Jonathan Cheung and Mr. Henry Cheung, please refer to the section headed "Directors, senior management and employees" of this document.

At the inception of our business operations, we provided brokerage, margin financing as well as placing and underwriting services. In order to provide a one-stop securities-backed lending service, we commenced our money lending service upon receiving our Money Lenders Licence on 14 February 2013. By July 2014, our loan book had exceeded HK\$100.0 million.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following table summarises our Group's key milestones since its establishment:

Our milestones

March 2012	Acquired PSL with the intention of providing brokerage, margin financing as well as placing and underwriting services within the scope of the Type 1 (dealing in securities) licence under the SFO
August 2012	Established PCGL with the intention of providing money lending services in Hong Kong
September 2012	PSL successfully obtained licence to conduct Type 1 (dealing in securities) regulated activity under the SFO
November 2012	PSL obtained Stock Exchange Trading Right and became an Exchange Participant with effect from 3 December 2012
January 2013	Acted as a placing agent for the first time in relation to the issuance of new shares
February 2013	Acted as a participating dealer for an exchange traded fund; PCGL obtained a Money Lenders Licence to carry out money lending activities in Hong Kong
March 2013	Our loan book exceeded HK\$50.0 million for the first time
April 2014	Completed the first block trade transaction
July 2014	Our loan book exceeded HK\$100.0 million for the first time

OUR CORPORATE DEVELOPMENT

As at the Latest Practicable Date, our Group had established a number of investment holding companies and operating subsidiaries to carry on our business. The corporate development of our principal operating subsidiaries which was material to the performance of our Group during the Track Record Period is set out below.

Pinestone Investment Group Limited

On 9 March 2012, PIGL was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1.00 each and one share was allotted and issued at par to Mr. Jonathan Cheung. PIGL was incorporated as an investment holding company for the purpose of holding the interest in PSL. On 25 September 2012, Mr. Jonathan Cheung transferred his entire shareholding interests in PIGL to PGL at a consideration of US\$1.00, being the nominal value of the shares of PIGL immediately prior to the transfer. Upon completion of the transfer, PIGL was wholly-owned by PGL.

As part of the Reorganisation, PGL transferred its interest in PIGL to our Company. For further details, please refer to the paragraph headed "Reorganisation" in this section.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Pinestone Securities Limited

PSL was one of our principal operating subsidiaries which commenced business operations in December 2012. On 4 January 2010, PSL was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each and one share was allotted and issued to Acota Services Limited, which was subsequently transferred to Expert Intelligence Limited, both being Independent Third Parties, on the same date. For the purpose of carrying out Type 1 (dealing in securities) regulated activity under the SFO, PIGL acquired PSL which was an inactive company prior to such acquisition. On 16 March 2012, the entire issued share capital of PSL held by Expert Intelligence Limited was transferred to PIGL at a consideration of HK\$1.00, being the nominal value of the shares of PSL immediately prior to the completion of the transfer. Upon the completion of the transfer, PSL was wholly-owned by PIGL. On 18 July 2012, 9 January 2013, 22 February 2013, 23 July 2014 and 14 January 2015, 9,999,999 shares, 30,000,000 shares, 20,000,000 shares, 30,000,000 shares and 9,000,000 shares, respectively, were allotted and issued at par to PIGL.

As part of the Reorganisation, PGL transferred its interest in PIGL to our Company. For further details, please refer to the paragraph headed "Reorganisation" in this section.

Pinestone Capital Group Limited

PCGL was one of our principal operating subsidiaries which commenced business in or around February 2013. On 30 August 2012, PCGL was incorporated in Hong Kong with an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each and one share was allotted and issued at par to PGL. PCGL was incorporated for the purpose of carrying out money lending business in Hong Kong. On 9 June 2014, 999,999 shares were allotted and issued at par to PGL. Immediately prior to the Reorganisation, PCGL was wholly-owned by PGL.

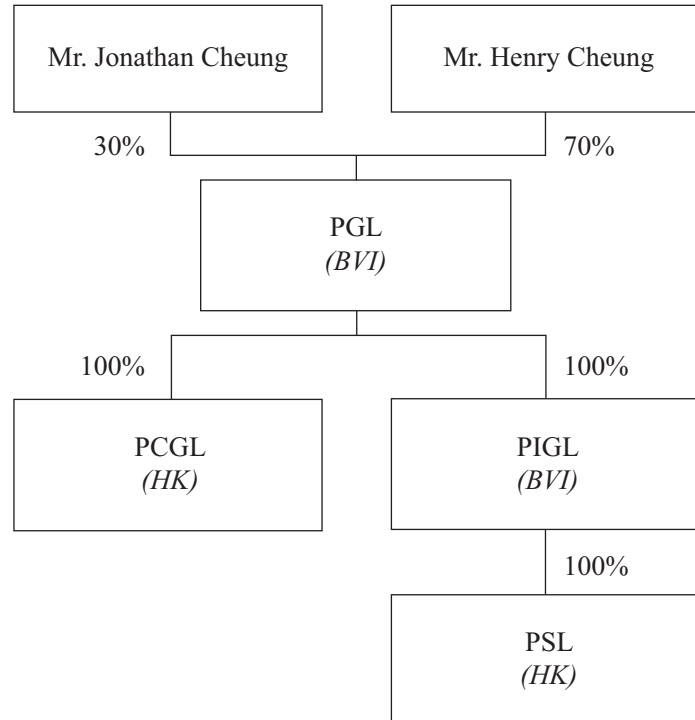
As part of the Reorganisation, PGL transferred its interest in PCGL to PIL. For further details, please refer to the paragraph headed "Reorganisation" in this section.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

In January 2015, we commenced the Reorganisation for the Listing pursuant to which our Company became the holding company of our Group.

The following chart sets forth our Group's corporate and shareholding structure immediately before the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Incorporation of holding companies by Mr. Jonathan Cheung and Mr. Henry Cheung to hold their respective interests in our Company

Snail Capital Limited

On 12 January 2015, SCL was incorporated in the BVI to act as the holding company for the interest of Mr. Jonathan Cheung in our Company. The authorised share capital of US\$50,000 was divided into 50,000 shares with a par value of US\$1.00 each and one share was allotted and issued at par to Mr. Jonathan Cheung on 12 January 2015. Mr. Jonathan Cheung is the sole shareholder of SCL.

HCC & Co Limited

On 12 January 2015, HCC was incorporated in the BVI to act as the holding company for the interest of Mr. Henry Cheung in our Company. The authorised share capital of US\$50,000 was divided into 50,000 shares with a par value of US\$1.00 each and one share was allotted and issued at par to Mr. Henry Cheung on 12 January 2015. Mr. Henry Cheung is the sole shareholder of HCC.

Incorporation of our Company to acquire and hold interest in our Group

In preparation for the Listing, our Company was incorporated in the Cayman Islands on 14 January 2015 as an exempted company with limited liability as a holding company of our Group and as the issuer in the [REDACTED]. The initial authorised share capital of our Company was HK\$380,000 which was divided into 3,800,000 ordinary shares of HK\$0.10 each. On the date of incorporation, (i) the fully-paid subscriber share was transferred to HCC; (ii) 30 shares were allotted and issued at par to SCL; and (iii) 69 shares were allotted and issued at par to HCC. Upon completion of the above transfer and allotments, the issued share capital of our Company was held as to 30.0% by SCL and 70.0% by HCC. On [●], our Company sub-divided all its issued and unissued shares with par value of HK\$0.10 each into 10 Shares of HK\$0.01 each. Please refer to the paragraph headed "Further information about our Group" in Appendix IV to this document for details.

Incorporation of holding company to hold the interests of Pinestone Capital Group Limited

Pinestone International Limited

On 19 January 2015, PIL was incorporated in the BVI to act as an intermediary holding company to hold the interest in PCGL. The authorised share capital of US\$50,000 was divided into 50,000 shares with a par value of US\$1.00 each and one share was allotted and issued at par to our Company on 19 January 2015. Our Company is the sole shareholder of PIL.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Acquisition of the principal operating subsidiaries

As the following companies are the principal operating subsidiaries of our Group, these companies have been acquired by our Group as part of the Reorganisation:

(i) Acquisition of Pinestone Capital Group Limited

On [●] 2015, PIL acquired 100% interest in PCGL from PGL, at a consideration of HK\$[9,354,759], which was determined with reference to the net asset value of PCGL as at 31 December 2014. The consideration for acquisition was satisfied by the creation of a non-interest bearing loan in the amount of HK\$[9,354,759] owing by PIL to PGL ("**PIL Loan**") as evidenced by a promissory note dated [●] issued by PIL to PGL ("**PIL Promissory Note**"). Upon completion of the acquisition, PCGL becomes a wholly-owned subsidiary of PIL.

On [●], by a deed of assignment, PGL assigned all its rights and interests in the PIL Loan to SCL.

On [●], by a deed of novation, our Company assumed all the liabilities of PIL under the PIL Loan, such that the PIL Loan was owed by our Company to SCL.

On [●], the PIL Loan was settled by our Company by the allotment and issue of 30 new shares to SCL. On [●], we have notified the Registrar of Money Lenders regarding the change of shareholder on [●].

(ii) Acquisition of Pinestone Investment Group Limited

On [●] 2015, our Company acquired (i) 100% interest in PIGL from PGL, at a consideration of HK\$[121,148,150], which was determined with reference to the net asset value of PIGL as at 31 December 2014; and (ii) the outstanding non-interest bearing loan in an amount of HK\$99,441,091 due from PIGL to PGL, at a consideration equivalent to the face value of the loan. The consideration for the acquisition of 100% interest in PIGL and the loan due from PIGL to PGL was satisfied by the creation of a non-interest bearing loan in the amount of HK\$[121,148,150] owing by our Company to PGL ("**PIGL Loan**") as evidenced by a promissory note dated [●] issued by our Company to PGL ("**PIGL Promissory Note**"). Upon completion of the acquisition, PIGL becomes a wholly-owned subsidiary of our Company. On [●], we obtained the approval from the SFC regarding the change of substantial shareholder of PSL disclosed above.

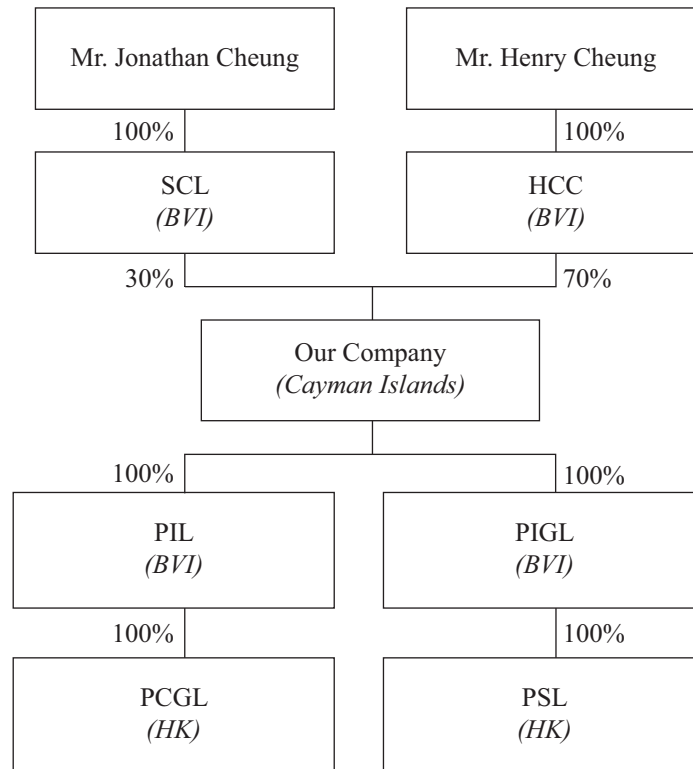
On [●], by a deed of assignment, PGL assigned all its rights and interests in the PIGL Loan to HCC.

On [●], the PIGL Loan was settled by our Company by the allotment and issue of 70 new shares to HCC.

[The abovementioned acquisitions and disposals have been properly and legally completed and settled.]

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following is the shareholding structure immediately after completion of the Reorganisation:



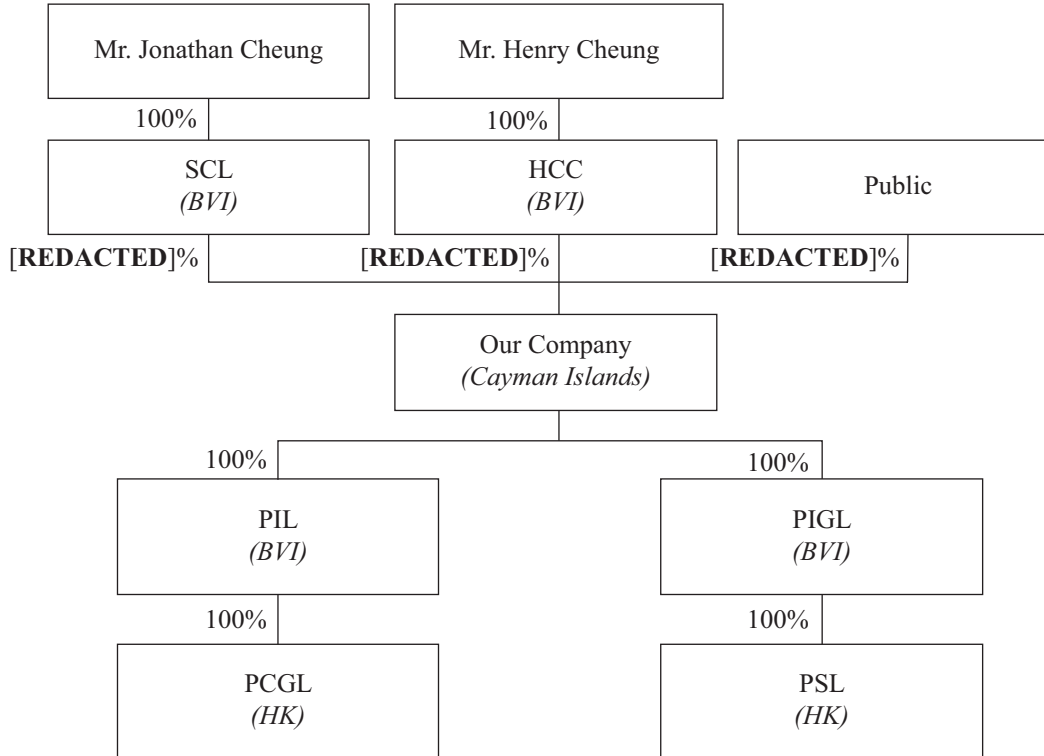
Capitalisation Issue

On [●], our Company (i) sub-divided all its issued and unissued shares with par value of HK\$0.10 each into 10 Shares of HK\$0.01 each; and (ii) increased its authorised share capital to HK\$500,000,000 through the creation of 49,962,000,000 additional Shares. Conditional upon the share premium account of our Company being credited as a result of the [REDACTED], the Directors will be authorised to capitalise the amount of HK\$[REDACTED] from the share premium account of our Company by applying such sum towards the paying up in full at par a total of [REDACTED] Shares for the allotment and issue to the then shareholders of our Company, being SCL and HCC, on a pro rata basis.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

The following chart sets forth the corporate structure of our Group immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account the Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme):



BUSINESS

OVERVIEW

We are a Hong Kong-based financial services provider offering bespoke services to individual and corporate clients. Our main business comprises (i) securities brokerage; (ii) securities-backed lending; and (iii) placing and underwriting. Instead of focusing on mass market retail investors and the typical institutional clients of large scale investment banks, our Group offers tailored services to clients with investment appetites for the securities of small-to medium-sized companies listed on the Stock Exchange.

Through our main operating subsidiary, PSL, we are licensed to carry out Type 1 (dealing in securities) regulated activity under the SFO, including brokerage services, margin financing services as well as placing and underwriting services in Hong Kong. PSL is also an Exchange Participant.

In order to provide a one-stop securities-backed lending service, we also offer money lending services on a case-by-case basis, which is conducted via our subsidiary, PCGL, an entity licensed and regulated under the Money Lenders Ordinance. Whilst margin financing obtained via PSL may only be utilised for the purchase of securities through our brokerage service, loans obtained from PCGL can also be utilised for purposes other than the purchase of securities through PSL.

During the Track Record Period, interest income from our securities-backed lending services constituted our main revenue source, representing approximately 84.6% and 57.0% of our total revenue for the two years ended 31 December 2013 and 2014 respectively. For the two years ended 31 December 2013 and 2014, commission income from our brokerage services constituted approximately 13.1% and 26.1% of our total revenue respectively, whilst commission income derived from our placing and underwriting services in the same period constituted approximately 1.6% and 16.2% of our total revenue respectively.

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.

COMPETITIVE STRENGTHS

Our lean organisational structure translates into a quick and efficient service for our customers

It is our belief that our lean organisational structure is one of our key advantages, as it means our overall response time is quick and we can make decisions in a timely manner. In this regard, we pride ourselves on our ability to respond to our customers in a fast and efficient manner which, according to our clients, compares favourably to other market players operating in Hong Kong. In addition, our lean organisational structure allows us to respond rapidly to developments in our business environment, thereby enabling us to capture new market opportunities as well as react to any adverse market changes in a timely manner.

BUSINESS

The complementary nature of our services allows us to cross-sell our various services to our clients

We provide a one-stop financial service encompassing securities-backed lending in addition to brokerage as well as placing and underwriting, thereby meeting the different needs of our customers. By offering a range of services, we also broaden our exposure to different segments of customers, whereby we are able to cross-sell our services and expand our overall business.

Our management has extensive personal networks which help us access our target customers and maintain strong relationships with our clients

We believe that our management's personal networks, which include individuals and corporations, are integral to our business. The majority of our business is introduced to us through these personal networks, which allow us to build strong long-term relationships with our clients. These strong client relationships in turn enhance our ability to tailor make our services to cater to the various needs of our customers.

BUSINESS STRATEGIES

Focus on clients with investment appetites for the securities of small- to medium-sized listed companies

One of our strategies is to focus on customers who are keen to invest in the securities of small- to medium-sized companies listed on the Stock Exchange. Based on our experience, these customers are generally less sensitive to commission rates and interest rates. Instead, they place more emphasis on the quality of customer service and, in particular, how quickly their orders are handled. In addition, the efficiency of our operational structure affords us the luxury of conducting sufficient credit analysis on the securities of small- to medium-sized listed companies often offered as collateral for margin financing loans by this segment of customers without impairing our ability to respond to customers in a timely manner. Details of our credit analysis procedure are set out in the paragraphs headed "Operations" and "Internal control" in this section.

Tailor-made services

We aim to establish long-term relationships with our customers through providing bespoke services catered to their investment objectives and appetites. We believe strong business relationships with our customers allow us to gain a deeper understanding of their backgrounds and investment preferences, thereby enhancing our ability to better assess the risks involved. In addition, we can offer packages for our margin financing services which are competitive in terms of the wide range of securities accepted as collateral (from blue chips to those of certain small- to medium-sized companies approved by our Credit Committee), the approval response time and the rates charged. We believe our business is in essence epitomised by our ability to offer competitive packages to customers in a short time frame.

BUSINESS

Leveraging synergies between our different services

In order to maximise our Group's profits as a whole, our services operate in a mutually beneficial fashion. We believe that we encourage clients to trade with us by offering competitive margin financing packages which, by their very nature, also stimulate our brokerage activities. Similarly, due to our emphasis on building lasting client relationships, customers who are satisfied with our trading operations are, in our opinion, more inclined to apply for margin loans to fund further trades. Indeed, during the Track Record Period there were several instances of brokerage customers subsequently applying for margin financing for this very reason. In addition, there were several instances during the Track Record Period of margin clients utilising our money lending service. The existing relationship with a customer prior to application for margin financing also provides us with access to their trading and settlement records, which enhances our credit assessment whilst considering their securities-backed lending application.

In addition, our brokerage and securities-backed lending services are also complementary to our placing and underwriting services, in that we are able to leverage on our existing pool of brokerage and securities-backed lending clients as well as our own personal networks when acting as placing agent. This existing pool of investors who are interested in the securities of small- to medium-sized listed companies, along with the potentially more favourable price available via private placement, attracts investors looking for trading opportunities.

SOURCE OF FUNDS

During the Track Record Period, we obtained funds primarily through paid up capital contributed by our Shareholders and internal resources, such as the interest and commission income derived from our business and through shareholder loans. Going forward, we intend to finance our future operations, capital expenditure and other capital requirements with the capital generated from our business operations as well as the net proceeds of the [REDACTED].

SUSTAINABILITY OF OUR BUSINESS

We have a mostly equity-based capital structure

As indicated in the paragraph headed "Source of funds" in this section, our Group had a mostly equity-based capital structure, with gearing ratios of nil and nil as at 31 December 2013 and 2014. During the Track Record Period and up to the Latest Practicable Date, we had only utilised approximately HK\$4.0 million of our overdraft facility from a local Authorised Institution. This model mitigates our Group's liquidity risks arising from fluctuations in interest rates as well as any adverse developments in the credit market, such as any tightening measures implemented in the banking industry. As disclosed in the section headed "Future plans and use of proceeds" of this document, we intend to expand our securities-backed lending services using the net proceeds from the [REDACTED]. As a result, fluctuations in the credit market will have limited impact on our ability to sustain the growth of our business.

BUSINESS

Our expansion plans do not entail a corresponding increase in our operating costs

During the Track Record Period, our operating costs remained relatively stable compared to the significant growth in our revenue. For the two years ended 31 December 2013 and 2014, our total revenue amounted to approximately HK\$16.5 million and HK\$33.0 million respectively, whilst our operating costs over the same period amounted to approximately HK\$5.5 million and HK\$5.6 million, excluding listing expenses of approximately HK\$1.7 million incurred in the year ended 31 December 2014, representing approximately 33.1% and 17.0% of our total revenue during the Track Record Period. Whilst we intend to expand our securities-backed lending services and ultimately our revenue growth with the net proceeds from the [REDACTED], we do not currently foresee any material corresponding rise in our operating costs as our organisational structure is lean and efficient and our expansion plans will not require any significant investment in personnel or equipment in the near future.

Our loan portfolio is secured by equity securities which are liquid with highly transparent value

During the Track Record Period, most of our loans were secured by equity securities, thus mitigating our Group's credit risk exposure. We have established policies and procedures to ensure sufficient due diligence is conducted on the collateral on offer, which is set out in the paragraphs headed "Internal control" and "Operations" in this section. Unlike other types of collaterals typically pledged as security, such as properties, the values of equity securities are highly transparent, which in turn enhances the accuracy of our credit assessment. In addition, the collaterals pledged to us, being equity securities, are comparatively liquid and therefore can be released on the market in a timely manner in the event of default.

PRINCIPAL BUSINESS

We provide a range of financial services which are tailor-made to suit the needs of each of our clients, both individual and corporate. Our revenue is primarily derived from (i) commission from our brokerage services; (ii) interest from our securities-backed lending services; and (iii) commission from our placing and underwriting services.

BUSINESS

Source of revenue

The following table sets out the amount of revenue derived from our principal services and their respective percentages of our total revenue over the course of the Track Record Period:

	Year ended 31 December			
	2013		2014	
	<i>HK\$'000</i>	<i>Percentage of our Group's revenue</i>	<i>HK\$'000</i>	<i>Percentage of our Group's revenue</i>
Commission income from brokerage services	2,153	13.1%	8,610	26.1%
Interest income from securities- backed lending services:				
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	<u>16,474</u>	<u>100%</u>	<u>33,025</u>	<u>100%</u>

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"; and (ii) the expansion of our Group's loan portfolio.

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:		
Margin financing interest	10.5% to 14.5% per annum	12.5% to 20.0% per annum
Money lending interest (<i>Note 1</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 2</i>) For placees: 1.0% to 1.5%	For sellers/issuers: 2.5% to 3.75% For placees: 1.0% to 1.25%

Notes:

1. Refers to the rates specified in the respective loan agreements.
2. We conducted only one such transaction in 2013, for which we charged a flat fee.

1. *Brokerage services*

Our brokerage service is conducted by our wholly-owned subsidiary, PSL, which is licensed under the SFO to conduct Type 1 (dealing in securities) regulated activity. We execute trades on our clients' behalf in equity securities traded on the Stock Exchange. Trade deals are conducted via a three-stage process handled by members of our front office team, who are all licensed under the SFO. During the course of said three-stage process, members of our front office team are responsible for (i) receiving client orders; (ii) placing client orders; and (iii) passing client orders to the settlement department. In addition to these responsibilities, our front office team also provides relevant and up to date investment information to clients in order to help them place well-considered orders. Our Responsible Officers personally oversee all trading and dealing operations.

During the Track Record Period, our Group generated income from 143 active customers, namely 89 for the year ended 31 December 2013 and 117 for the year ended 31 December 2014. For the two years ended 31 December 2013 and 2014, commission from our brokerage business amounted to approximately HK\$2.2 million and HK\$8.6 million respectively, representing

BUSINESS

approximately 13.1% and 26.1% of our total revenue respectively. During the two years ended 31 December 2013 and 2014, we charged our clients commission rates ranging from 0.05% to 0.25% of the total transaction value, with a minimum commission charge of HK\$80.0 per transaction.

2. Securities-backed lending services

Our securities-backed lending services comprise two primary components, namely our margin financing service under our Type 1 licence and our money lending service under our Money Lenders Licence, which are conducted through two of our wholly-owned subsidiaries, PSL and PCGL respectively. Customers who obtain margin financing from PSL may only use such financing for securities trading through their brokerage accounts with us, whereas clients may use loans obtained from PCGL for other purposes, which may or may not include the purchase of securities through PSL.

Overall, during the Track Record Period, we had a total of 93 active customers for our securities-backed lending services, comprising 89 active margin customers and four money lending customers. Interest income from our securities-backed lending services was our Group's major revenue source during the Track Record Period. For the two years ended 31 December 2013 and 2014, revenue attributable to these services amounted to approximately HK\$13.9 million and HK\$18.8 million respectively, constituting approximately 84.6% and 57.0% of our Group's total revenue. It is our belief that our securities-backed lending services have considerable room for revenue expansion, and we expect this aspect of our business to remain the key driver of our Group's revenue going forward. Please refer to the section headed "Future plans and use of proceeds" of this document for more information on this matter.

Margin financing

PSL commenced its margin financing service in December 2012. According to the SFO, PSL's licence to conduct Type 1 (dealing in securities) regulated activity also allows us to conduct securities margin financing. Through the provision of margin facilities, we offer secured financing to our brokerage clients in order to facilitate their securities purchases. The flexibility afforded to such clients by our provision of margin loans with their listed securities as collateral enhances their trading capabilities through financial leverage. Our customers may only use such margin financing for the purchase of securities through PSL's brokerage service.

Our front office team handles all aspects of the margin financing process, including liaising with clients and proposing margin ratios and interest rates. Before our existing securities trading clients can apply for margin loans from us, they must be processed through our margin account opening procedures in the presence of one of our Licensed Representatives or Responsible Officers. A margin ratio (which is calculated by expressing the total amount granted to the customer as a percentage of the total value of collaterals pledged to our Group) represents the maximum percentage of financing a customer can receive against the value of collateral shares in his or her account. They are determined with reference to (i) the ratios fixed by our principal bank; (ii) our own analysis of the quality of collaterals on offer; and (iii) the ratios offered by other securities firms. Currently a margin ratio of up to 70.0% is offered to customers.

BUSINESS

All margin loan applications are considered by our Credit Committee. Three members of our five-person Credit Committee are required to approve margin loan applications of under HK\$5.0 million. The approval of one of our executive Directors is required in addition to that of two other members of our Credit Committee to approve margin loan applications equal to or exceeding HK\$5.0 million. Please refer to the paragraphs headed "Operations" and "Internal control" in this section for further information regarding how we process margin loan applications and determine margin interest rates.

Income from the provision of margin facilities to clients is derived from charging interest on the aforesaid margin loans. Interest rates are approved on a case-by-case basis for individual clients by our Credit Committee, and are made by assessing, among other things, the margin ratio requested, the amount of financing requested, the collateral on offer, its value, its liquidity, its type (e.g. blue chip, red chip, small- to medium-sized listed companies, etc.) and the composition of the stock portfolio (e.g. single stock portfolio or multi-stock portfolio). In general, the interest rates charged during the Track Record Period for our margin financing services ranged from 10.5% to 20.0% per annum.

During the Track Record Period and up to the Latest Practicable Date, our margin financing service consisted of 89 active customers, being those customers from whom our Group had generated income, the interest income derived from which amounted to approximately HK\$6.5 million and HK\$13.4 million for the two years ended 31 December 2013 and 2014 respectively.

Money lending

Our money lending service is conducted through our wholly-owned subsidiary, PCGL. PCGL is a licensed money lender under the Money Lenders Ordinance. It has been operating as such since March 2013, soon after our Money Lenders Licence was first obtained. During the Track Record Period, we extended loans to four customers. Three of these loans were backed with securities as collateral, whilst the other was secured by an Independent Third Party guarantee. We offer both secured and unsecured loans on fixed or revolving terms to our customers. During the Track Record Period, we have not granted any unsecured loans. For secured loans, we conduct a thorough valuation of the collateral being pledged in order to quantify its worth and therefore minimise any credit risk we may face. Our licence under the MLO allows us to accept various types of collateral, including securities and property. In view of our experience in the securities-backed lending business and our aim of providing a one-stop securities-backed lending service, during the Track Record Period, we only accepted listed securities as collateral. As a general rule, for securities-backed loans the loan-to-value ratio shall not exceed 70.0% at the time of loan drawdown. In particular, existing margin clients who wish to obtain a securities-backed loan from PCGL must offer unpledged securities as collateral (i.e. securities that are not pledged under their margin financing arrangements with PSL).

Our front office team handles all of the day-to-day operations of our Group's money lending service, and are responsible for, among other things, handling and processing loan applications, verifying loan application supporting documents, and liaising with customers. All of our potential customers must undergo a thorough "know-your-client" vetting process before any loan applications can be considered.

BUSINESS

Loan applications are considered by the Credit Committee. As with our margin financing business, at least three members of our five-person Credit Committee are required to approve loan requests of under HK\$5.0 million. The approval of one of our executive Directors is required in addition to that of two other members of our Credit Committee to approve loan requests equal to or exceeding HK\$5.0 million. By establishing these checks and safeguards we aim to minimise any risk we may encounter whilst at the same time maximising returns and ensuring a high level of customer satisfaction.

Summary of the principal terms of our loans during the Track Record Period

Set out below is a summary of the principal terms of our loans according to the loan agreements entered into between our customers and our Group during the Track Record Period:

Loan type	Loan amount range	Average loan amount	Interest rate per annum	Repayment period
Secured by securities collateral	HK\$3.5 million to HK\$17.7 million	HK\$8.9 million	24.0% to 36.0%	2 to 6 months
Secured by Independent Third Party guarantee	HK\$20.0 million	HK\$20.0 million	36.0%	5 months

Revenue from our money lending service is derived from charging interest to customers and, during the Track Record Period, we charged customers interest rates ranging from 24.0% to 36.0%. Rates are determined with reference to various factors, which include, but are not limited to, the repayment ability of the customer, the credit history of the customer, the amount of loan requested, the type of collateral or guarantee available and the repayment period of the loan. The collaterals are analysed according to various matrices, including their value, their liquidity and their type (i.e. blue chip, red chip, small- to medium-sized listed companies, etc.), and the composition of the stock portfolio (e.g. single stock portfolio or multi-stock portfolio). Our Company believes that the higher risk associated with our money lending service (in that the loan amount can be used for purposes other than securities trading with PSL) is reflected in the higher interest rates we charge when compared with our margin financing business. During the Track Record Period, the value of the amounts we loaned ranged from HK\$3.5 million to HK\$20.0 million, with repayment periods ranging from two months to six months.

BUSINESS

During the Track Record Period, revenue generated from our money lending service was derived from the provision of secured loans to four customers. For the two years ended 31 December 2013 and 2014, interest income attributable to our money lending service amounted to approximately HK\$7.4 million and HK\$5.5 million respectively, representing approximately 44.8% and 16.6% of our total revenue respectively.

3. Placing and underwriting services

We have been conducting our placing and underwriting activities through our subsidiary, PSL, since January 2013. In general, we act as placing agent or underwriter for equity and debt securities listed on both the Main Board and GEM of the Stock Exchange. Our placing and underwriting services are generally offered to listed companies or the shareholders of listed companies, all of whom have been referred to us or have heard of our business via word of mouth.

During the Track Record Period, we conducted a total of 21 placing transactions; ten during the year ended 31 December 2013 and 11 during the year ended 31 December 2014. All of these placing transactions were conducted on a best-effort basis on the secondary market (i.e. the placing of existing and/or new shares of listed companies). During the Track Record Period, we did not underwrite any transactions.

Revenue derived from our placing and underwriting services comes entirely from commission charged to both the seller/issuer (including shareholders regarding the placing of existing shares and listed companies regarding the placing of new shares) and to placees. Commission rates are determined based on arm's length negotiations, and are dependent on a range of factors such as the market's perception of the proposed placing shares and the intended placing price. As the primary placing agent, we generally charge 3.5% to sellers and 1.0% to placees for our services. During the two years ended 31 December 2013 and 2014, income attributable to our placing and underwriting services amounted to approximately HK\$0.3 million and HK\$5.3 million, representing 1.6% and 16.2% of our revenue for those two years respectively.

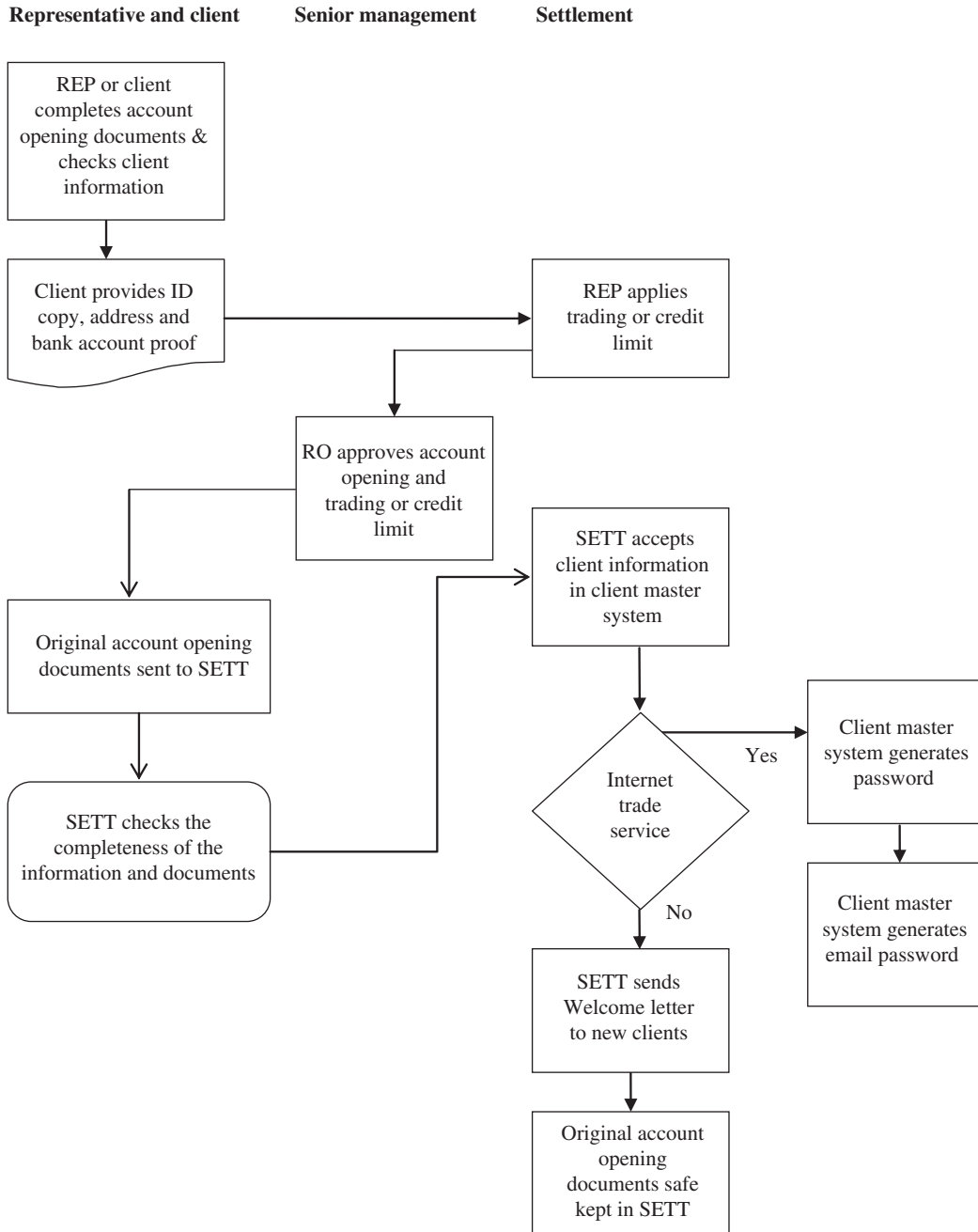
BUSINESS

OPERATIONS

Pinestone Securities Limited

Account opening process

The following flowchart illustrates our account opening process for both margin and cash accounts:



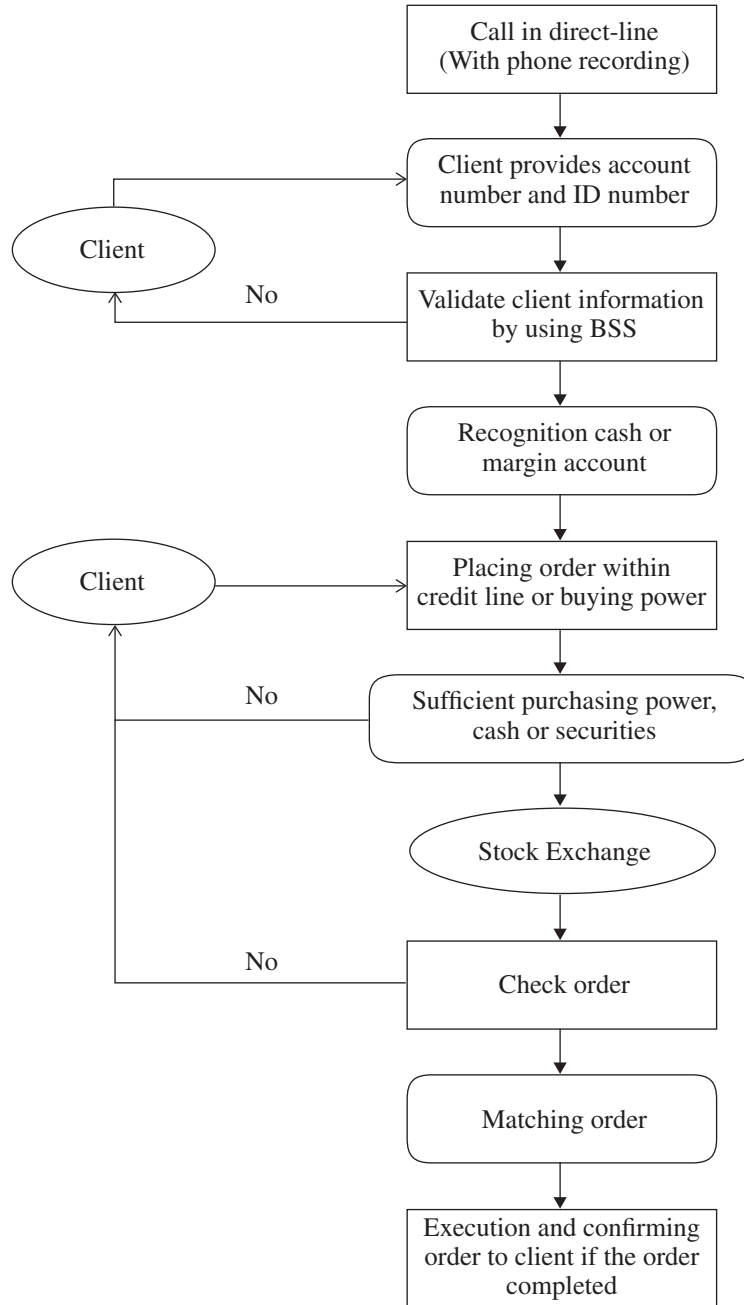
REP: Licensed Representative
 SM: Senior management
 SETT: Settlement department
 RO: Responsible Officer

BUSINESS

As detailed above, it is the duty of our Responsible Officers to approve trading and credit limits to all customers during the account opening process. Please refer to the paragraph headed "Internal control" in this section for further information regarding trading and credit limits.

Order taking process

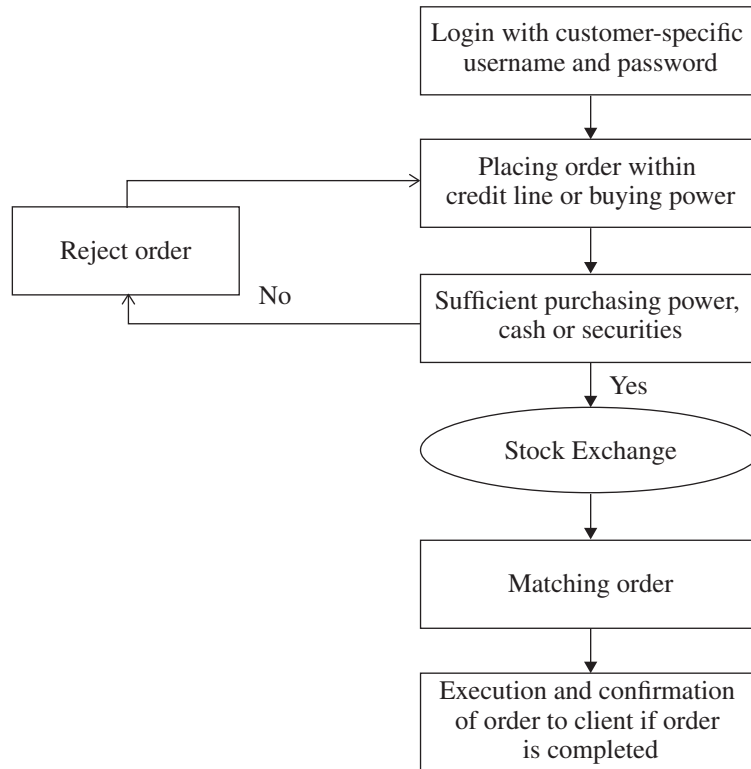
The following flowchart illustrates our order taking and securities dealing procedures for customers who place orders via telephone:



BUSINESS

As detailed in the flowchart above, the order taking process comprises various stages and checks so as to confirm the identity of the client and ensure that a client's order falls within his or her trading or credit limit.

The following flowchart illustrates our online trading platform's order taking and securities dealing procedures:



In addition to placing orders via telephone, customers may also use our internet trading platform, which was launched in February 2013. For more information on our internal control policies regarding online trading, please refer to the paragraph headed "Internal control" in this section.

BUSINESS

With regards to our margin financing service, our Responsible Officers are responsible for reviewing the daily margin call report, paying particular attention to those clients whose margin loan ratios are between 50.0% and 70.0%. Once a customer's margin loan ratio approaches 70.0%, we generally begin liaising with the customer and alerting him or her to the possibility of depositing further securities collateral, selling some of the securities collateral or depositing additional funds (essentially paying back some of the margin loan). We may, after taking into account factors such as, among others, prevailing market conditions (including any prevailing volatility), the composition of the stock portfolio, the customer's repayment record or margin ratio, initiate margin calls to the relevant customer to deposit additional securities. Customers must generally meet margin calls within 24 hours, but in the event of market volatility, customers may be required to settle margin calls within one hour. Should clients fail to settle margin calls within the required amount of time, their portfolios may be liquidated to the extent that the loan-to-value ratio of their portfolios decreases to an acceptable level once more. During the Track Record Period, all margin calls were met and we had no cause to liquidate any stocks pledged to us as collateral.

Our back office operations handle our settlement and accounting procedures. Combined daily statements are delivered to customers not later than 24 hours after a transaction has been made and monthly statements of account are required to be sent to customers in the first week of every month. We do not accept cash-in-hand deposits from our customers, and settlement can only be made via bank transfer, cheque or direct cash deposit into our bank account.

Pinestone Capital Group Limited

Our money lending service comprises three main stages, namely (i) loan application and approval; (ii) daily monitoring; and (iii) debt collection. During the loan application and approval process, customers undergo thorough "know-your-client" procedures designed to establish sufficient knowledge of a customer and his or her repayment ability. For loans secured with collaterals, our front office team conducts valuations of the proposed collateral with reference to, among other things, market value. The front office team also conducts a credit assessment to establish the creditworthiness of a customer. Loan applications are considered and approved by our Credit Committee.

During the monitoring process, our front office team monitors the repayment status of each loan and reports to the senior management from time to time. In the case of any outstanding amounts overdue for more than 45 days, as well as loans relating to bankrupt customers, we may appoint an external debt collection service provider to assist in the collection of such outstanding debt or take legal action such as repossession of pledged assets for secured loans. During the Track Record Period and up to the Latest Practicable Date, our Group did not appoint any debt collection service providers to assist in the collection of any outstanding debt owed to us. A customer may renew a loan subject to satisfaction of our detailed credit assessment, as above.

BUSINESS

NOTIFIABLE TRANSACTIONS

Whilst providing financial assistance to our customers is in our ordinary and usual course of business as a money lender, under Rule 19.04(8) of the GEM Listing Rules, the term "ordinary and usual course of business", in the context of financial assistance, only applies to a banking company, and not to a money lending company. In this regard, upon Listing, the financial assistance provided by us to our customers may (i) constitute notifiable transactions under Chapter 19 of the GEM Listing Rules which will be subject to the relevant notification, announcement and shareholders' approval requirements; and (ii) trigger disclosure requirements under Rule 17.15 of the GEM Listing Rules. As a result, our Group has put in place procedures to ensure that the requirements of the GEM Listing Rules, including those relating to Chapters 17, 19 and 20 of the GEM Listing Rules are complied with.

In the event that the aggregate amount of the principal and interest charged thereon in respect of a loan to be granted by our Group results in one or more of the percentage ratios under Chapter 19 of the GEM Listing Rules exceeding 25.0% but falling short of 100.0%, such a loan will constitute a major transaction under the GEM Listing Rules and will be subject to announcement and Shareholders' approval requirements under Chapter 19 of the GEM Listing Rules. As any loans approved by our management which constitute major transactions under the GEM Listing Rules may be approved by way of written resolutions passed by Mr. Henry Cheung and Mr. Jonathan Cheung, such loans will proceed without the need of convening a Shareholders' meeting to give prior approval, although the notification and announcement requirements under the GEM Listing Rules will still be complied with.

CUSTOMERS

We provide our services to a range of clients, including listed companies as well as individual and corporate clients with investment appetites for the securities of small- to medium-sized listed companies. For the purposes of analysing our Group's exposure, individuals and investment vehicles under their control will be viewed as one customer, and we will take into account income derived from all services rendered to each customer.

Our two executive Directors, Mr. Henry Cheung and Mr. Jonathan Cheung, are also customers of the Group and have their own margin accounts with PSL. For details, please refer to the section headed "Connected transactions" of this document. In addition, Ms. Chick, the spouse of one of the directors of PSL, has a cash account with PSL.

BUSINESS

Our top five customers in terms of revenue generated during the Track Record Period

For the two years ended 31 December 2013 and 2014, the largest customer for each of those two years accounted for approximately 27.8% and 12.9% of our revenue respectively, representing approximately 17.8% in aggregate of our total revenue during the Track Record Period. During the same period, revenue attributable to our top five customers in aggregate amounted to approximately 79.2% and 49.7% of our total revenue respectively. During the year ended 31 December 2013, given our limited operating history, we were still in the process of building up our client base and our loan portfolio, and as such, customers who utilised both our margin financing services and money lending services contributed to a significant portion of our revenue for that period. With the broadening of our client base and further growth of our loan portfolio, the concentration of our revenue derived from our top five customers decreased significantly to approximately 49.7% for the year ended 31 December 2014. Our Directors confirm that we will make conscious efforts to ensure that there is no over-reliance on our major customers. 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 Company should one of our major customers default on their repayment obligations. During the Track Record Period, we did not experience any customer default. During the Track Record Period, none of our Directors or their respective associates or the existing Shareholders who own more than 5.0% of our Company's issued share capital has had or has an interest in our top five customers. All of our top five customers for the two years ended 31 December 2013 and 2014 are Independent Third Parties.

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. As is the case with all of our customers, we have not and will not accept cash-in-hand deposits from our top five customers. For credit terms offered to our customers, please refer to the paragraph headed "Commission and interest rates" in this section for a detailed breakdown of our commission and interest rates charged. During the Track Record Period, we received no complaints from our customers.

The table below lays out the approximate revenue from our top five customers, the service type, their occupations and the years in which their business relationship with us began, for the two years ended 31 December 2013 and 2014.

BUSINESS

For the year ended 31 December 2013

Customer	Service type	Income contributed to our Group's revenue HK\$'000	% of revenue	Year in which business relationship began	Occupation
Customer A	Brokerage	43.6	0.3%	2013	Director of a private trading company
	Margin financing	112.2	0.7%		
	Money lending	4,420.8	26.8%		
	Total	4,576.6	27.8%		
Customer B	Brokerage	8.2	0.0%	2013	Investment holding company (Note 1)
	Margin financing	2,573.5	15.6%		
	Total	2,581.7	15.6%		
Customer C (Note 3)	Margin financing	2,463.9	15.0%	2013	Investment holding company (Note 2)
	Total	2,463.9	15.0%		
Customer D	Brokerage	44.9	0.2%	2013	Self-employed
	Margin financing	407.1	2.5%		
	Money lending	1,379.2	8.4%		
	Total	1,831.2	11.1%		
Customer E	Brokerage	15.6	0.1%	2013	Consultant
	Margin financing	0.2	0.0%		
	Money lending	1,580.5	9.6%		
	Total	1,596.3	9.7%		
Total		13,049.7	79.2%		

Notes:

- (1) This private investment holding company is a substantial shareholder of two companies listed on the Stock Exchange
- (2) This private investment holding company is a substantial shareholder of a company listed on the Stock Exchange
- (3) During the year ended 31 December 2013, no trading activity was recorded for this customer. As such, we did not derive any commission income from the said customer despite having extended a margin loan in January 2013.

BUSINESS

For the year ended 31 December 2014

Customer	Service type	Income contributed to our Group's revenue HK\$'000	% of revenue	Year in which business relationship began	Occupation
Customer F	Brokerage	1,073.6	3.3%	2014	Director of a private company
	Margin financing	1,874.2	5.7%		
	Placing	1,298.3	3.9%		
	Total	4,246.1	12.9%		
Customer D	Brokerage	326.2	1.0%	2013	Self-employed
	Margin financing	1,869.5	5.7%		
	Money lending	1,583.9	4.8%		
	Placing	99.8	0.3%		
Total	3,879.4	11.8%			
Customer A	Brokerage	118.5	0.3%	2013	Director of a private company
	Margin financing	1,150.0	3.5%		
	Money lending	2,578.8	7.8%		
	Total	3,847.3	11.6%		
Customer G	Brokerage	233.8	0.7%	2014	Managing director of an investment firm
	Margin financing	1,414.7	4.3%		
	Placing	906.8	2.7%		
	Total	2,555.3	7.7%		
Customer H	Brokerage	870.4	2.6%	2014	IT director
	Margin financing	872.8	2.6%		
	Placing	150.8	0.5%		
	Total	1,894.0	5.7%		
Total		16,422.1	49.7%		

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SUPPLIERS AND VENDORS

Due to the nature of our business activities, we have no suppliers.

We entered into an agreement with an independent information technology system vendor in 2012, pursuant to which our Group is entitled to use the vendor's system for our trading platform and for the provision of our online trading service. Our contract with the system vendor lasts for three years, and is subject to renewal in January 2016. As at the Latest Practicable Date, based on the system's performance thus far in that there have been no material disruptions, we currently expect to renew our contract with the system vendor. The system vendor also provides maintenance and support services for the system, including but not limited to a back-up cloud-based system to safely store information regarding trades and a firewall system to protect our Group from any cyber security breaches. During the Track Record Period, there were no material disruptions of the system which led to any disruption in our operations. The system vendor we have engaged is recognised by the Stock Exchange. Payment to the vendor by our Group is effected on a monthly basis by way of bank transfer or cheque. Please refer to the paragraph headed "Internal control" in this section for more information on our IT services and offsite backup system.

None of our Directors or their respective associates or the existing Shareholders who own more than 5.0% of our Company's issued share capital has any interest in any of our vendors.

SALES AND MARKETING

Our sales and marketing comprises sourcing new customers, opening customer accounts and handling customer enquiries. It is generally performed by our front office team. The opening of customer accounts is processed by Licensed Representatives and our settlement department and has to be approved by one of our Responsible Officers. Our front office team also regularly contact existing customers in order to maintain strong business relationships with them. We generally expand our new client network through referrals from our existing customers and the personal networks of our management.

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 more information, please refer to the paragraph headed "Business strategies" in this section.

We aim to continually improve the quality of our services by requesting customers to provide feedback on our business and our interactions with them. Moreover, we conduct reviews of our front office customer liaison procedures at regular management meetings in addition to reviews of our existing operational manuals in order to maintain optimal levels of customer satisfaction. During the Track Record Period, we received no complaints from any of our customers.

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We believe that the Listing will help promote our corporate image and act as a suitable platform which will enable potential clients to gain awareness of our bespoke services.

COMPETITION

As discussed in the paragraph headed "Overview" in this section, we believe that we occupy a position between the mass market retail brokerage houses and the institutional investment banks, the client base of which generally consists of large scale investment funds. Details of the competition that our Group currently faces and will continue to face are described in the section titled "Industry overview" of this document.

INTERNAL CONTROL

Under the Code of Conduct, a licensee should have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its operations, customers and other licensed or registered persons from financial loss arising from theft, fraud and other dishonest acts, professional misconduct or omissions.

In general, "internal controls" represent the manner in which a business is structured and operated so that reasonable assurance is provided of:

- (a) the ability to carry on the business in an orderly and efficient manner;
- (b) the safeguarding of our Company's and our customers' assets;
- (c) the maintenance of proper records and the reliability of financial and other information used within and published by the business; and
- (d) the compliance with all applicable laws and regulatory requirements.

During the ordinary course of our business activities, we are exposed primarily to (i) credit risks in respect of our brokerage and securities-backed lending services; (ii) operational risks relating to our internal processes and our staff; (iii) regulatory risks in respect of compliance with rules and regulations; and (iv) anti-money laundering risk in respect of illegal or improper use of our operations. As part of our initiatives to manage these risks, we have established and implemented our compliance and operational manuals, which contain our credit policy, operating procedures and other internal control measures. We also established two operational committees on 4 February 2013, namely our Credit Committee, which as at the Latest Practicable Date comprised our two executive Directors and several members of senior management, to review and oversee the credit policies of our Group, and our Compliance Committee, which as at the Latest Practicable Date comprised our two executive Directors, several members of senior management and a vice-president, to ensure our Group's compliance with relevant rules and regulations and to oversee internal control matters. A summary of our key internal control policies and procedures is set out below.

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Credit risk management

Pinestone Securities Limited

Our brokerage and margin financing services are both susceptible to credit risk should customers fail to fulfill their payment obligations. As a result, we have implemented a credit control policy which our Directors and senior management believe to be effective in minimising the credit risk our Group faces. Any other transaction or product not covered by either our credit control or risk management policies is evaluated by our Credit Committee and incorporated into the aforementioned policies as the Credit Committee sees fit.

Before an account can be opened with us, we require all customers to go through our account opening procedures which aim, among other things, to ascertain the creditworthiness of a client and who the beneficial owner of the account is. The account opening process, which is handled by our front office team, is designed in such a way as to obtain satisfactory knowledge about a client. To this end, we encourage clients to open accounts in person at our office and in the presence of one of our Licensed Representatives or Responsible Officers. During the account opening process, our clients must sign an agreement absolving our Group and all of its officers and employees of any responsibility regarding any loss or liability which they may incur, unless due to fraud or willful default on the part of our Group or anyone employed therein. In doing so, our clients accept total responsibility for all trading decisions in their accounts and acknowledge that we are responsible only for the execution, clearing and carrying out of transactions in such accounts.

Given that payment for successful trades is settled on a T+2 basis, our Group is exposed to credit risk to the extent of the client becoming unable to pay for said trades in the intervening period between trade execution and settlement. As a result, trading limits are set for customers to mitigate some of the abovementioned credit risk. A trading limit is the amount of credit exposure which our Group can accept for a particular client for the duration of the T+2 period. Customers are not allowed to execute further securities purchases once their trading limit has been reached. Trading limits for cash and margin accounts are initially set to zero, and trading limits may be increased via application, which is considered and approved by the Credit Committee.

A credit line is the maximum loan facility granted to a margin client, and it is set after taking into account both current and potential risks of an individual client. Credit lines, which are approved by the Credit Committee, are observed strictly by our front office team, who are in turn closely monitored by our Responsible Officers in order to ensure adherence to the various limits granted. Credit lines and trading limits are determined with close reference to the creditworthiness of a customer, and for the former we review the collateral on offer in order to affirm the financial standing and repayment ability to this end.

For our margin financing business, our Company only accepts securities listed on the Stock Exchange as collateral for margin loans. On the basis of fundamental, technical and risk factors of the individual shares pledged as collateral, different levels of haircut are applied for credit extension purposes. In general, different levels of margin ratio, up to 70.0%, are

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assigned. These margin ratios represent the maximum percentage of financing that margin clients can get against the value of collateral shares in their accounts. In the event of any adverse movement in the prices of customers' pledged securities, we may make margin calls to the relevant customers. Customers subject to our margin calls are not allowed to execute further securities purchases unless they have deposited additional funds, sold their pledged securities or pledged additional securities to top up their margin value. In particular, we generally require all margin clients to maintain a margin loan ratio (which is the outstanding loan amount over the market value) of not more than 70.0% at all times. Should a client's margin loan ratio equal or exceed 70.0%, no new positions can be established, and if the margin loan ratio is not reduced to an acceptable level, the securities may be liquidated at our discretion.

Pinestone Capital Group Limited

Our Group adopts a strict set of credit policies with regards to the activities carried out under our Money Lenders Licence. All decisions made on loan applications are handled by our front office team and are subject to the approval of the Credit Committee. All new customers have to pass our financial background and credit checks before a loan account can be opened.

In addition, we may at our discretion require a guarantee from an Independent Third Party for individual and corporate customers and/or a guarantee from the shareholder and/or director for our corporate customers. In determining whether a guarantee is required to add further security to a loan, our front office team will, on a case by case basis, consider, among other things, the reason for the borrowing, the credit history of the customer with our Company, if any, the customer's financial background, the collateral on offer, its liquidity, its value and its type (i.e. blue chip, red chip, small- to medium-sized listed companies, etc.), the composition of the stock portfolio (e.g. single stock portfolio or multi-stock portfolio) and our credit exposure for the loan. As with the credit assessment of the customer, individuals providing a guarantee in favour of a loan are also required to meet the same basic eligibility and approval criteria, and will be required to go through the same verification and approval procedures. Once the guarantor is approved by us, the guarantor will be required to execute relevant documents to provide guarantee to the borrower.

Operational risk management

We have developed and implemented our account opening procedures in compliance with the Code of Conduct. We only take orders or instructions from customers and/or their authorised representatives provided that the customers have completed the account opening process, including the signing of account opening forms and client agreements. Please refer to the paragraph headed "Operations" in this section for a more detailed description of the account opening process. Our front office team has to observe the Code of Conduct and the PDPO when handling the personal data of customers, such as collecting copies of identity cards during the account opening process.

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Our front office team members responsible for handling customers' orders must be registered with the SFC as either a Responsible Officer or a Licensed Representative. We have established and implemented a policy for the recruitment, licensing and training of our staff to ensure that they are properly recruited, appointed, licensed and trained. We only employ persons who are fit and proper and competent to perform the duties for which they are employed.

We insist that all members of our front office team adhere to our securities dealing and related procedures. All customer orders should be received and/or confirmed to customers using our internal telephone recording system or processed through our online trading platform. All customer orders must be handled in a fair and equitable manner and in the sequence of receipt, with clear and comprehensive audit trails created to precisely record all orders from the time of origination through to order execution. The front office team must take all reasonable steps to ensure customer orders are executed promptly and in accordance with the customer's instructions. All customer orders are processed through our BSS, a system which facilitates our front office to process customers' orders efficiently. In addition, our BSS also has built-in monitoring and record keeping functions. For instance, cash balance and stock balance are displayed, and a warning message will appear in the case of a negative balance. All records shall be kept for seven years, apart from client instruction and order records which are to be retained for two years. Customer telephone records shall be kept for at least six months as required by the Code of Conduct. Customers of our internet trading platform are subject to the same stringent rules as our telephone customers.

Occasionally, error trades may occur during the course of our brokerage operations. It is our policy to immediately rectify any error trades by booking any gain or loss caused by such a trade into our error account. Error trades do not affect the value of a client's book in any way, as we bear the gain or loss resulting from any trading errors. In addition, our BSS has a built-in function to detect irregularities and can reject certain types of input error, thus minimising the possibility for error trades to occur. During the Track Record Period and up to the Latest Practicable Date, we recorded four error trades amounting to losses of approximately HK\$1,100 and HK\$4,100 for each of the two years ended 31 December 2013 and 2014 respectively, one of which was made upon testing our newly-installed online trading platform prior to its official launch. The amount of loss incurred in each instance was immaterial.

In order to safeguard client information and safely store customer order details and trading information, we have subcontracted our BSS to an external service provider which has been recognised by the Stock Exchange. All trading information is uploaded simultaneously to an offsite centre and is backed up on a daily basis. Customer telephone records are backed up on a daily basis onsite and are uploaded to an offsite centre for storage monthly.

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Regulatory risk management

Our Group is subject to a number of different regulatory requirements, and our securities brokerage arm in particular is required to comply with the FRR requirements, including maintaining adequate capital and liquid capital at all times. Our finance department is responsible for the preparation of the financial returns according to the requirements under the FRR. One of our Responsible Officers will review and sign off on the financial returns which shall be submitted no later than the 21st day of each calendar month. The finance department is also responsible for the monitoring of our compliance with the FRR on an ongoing basis. Liquid capital estimation is computed on a daily basis by our director of finance so as to ensure that timely information is conveyed to our management. The daily computation is reviewed by our senior management. In addition, we submit an FRR report to the SFC on a monthly basis.

The finance department closely monitors the daily reconciliation of customer trust bank accounts and our Group's bank account for funding and settlement purposes to ensure compliance with the Securities and Futures (Client Money) Rules.

Our Group and licensed persons are obliged to notify the SFC immediately in accordance with the notification requirements of the Code of Conduct and/or other guidelines, rules and regulations, where applicable. The requirement of notification extends to any material breach, infringement or non-compliance of market misconduct provisions set out in Part XIII or Part XIV of the SFO reasonably suspected to have been committed by customers, giving particulars of the suspected breach, infringement or non-compliance and relevant information and documents.

Compliance with the Personal Data (Privacy) Ordinance

In the course of our business, our Group has in its possession private and confidential personal data, and as such our operations in relation to such data are regulated by the PDPO. In particular, our Group falls within the definition of "data user", which is defined in the ordinance as "a person who, either alone, jointly or in common with other persons, controls the collection, holding, processing or use of the data" and hence is subject to the principles set out in the PDPO regarding the collection, use, retention, accuracy and security of and access to personal data. In this regard, our Group has established policies and procedures to ensure our compliance with the PDPO.

Anti-money laundering risk management

To mitigate our anti-money laundering risk, all of our staff members are required to adhere to the requirements set out in the Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance and the SFC Guideline on Anti-Money Laundering and Counter-Terrorist Financing and any update relating thereto. We have also adopted the "policies, procedures and training" principle as provided in these guidelines by establishing and adopting policies and providing education and training to our staff on

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anti-money laundering. We also voluntarily conduct our procedures in line with the Guideline on Prevention of Money Laundering issued by the HKMA, despite the fact that we are not an Authorised Institution and thus are not obliged to follow such guidelines. Our guidelines on anti-money laundering are provided in our credit policies, Group-wide compliance manual and operation manuals provided to our staff to ensure that they are aware of the possibility of money laundering and their own personal legal obligations in relation thereto. In addition, we have also assigned one of our senior management to act as our anti-money laundering officer whose role it is to ensure compliance with the relevant rules and regulations regarding anti-money laundering.

In respect of our anti-money laundering efforts, we have adopted the “know your client” principle espoused in the guidelines mentioned above, whereby we ensure all potential customers provide us with proof of identity, their occupation, background and contact details, which we then process for verification. We maintain files on our computer systems and backups are made offsite of all customer information, including loan drawdown records of all past and present customers.

In addition, to prevent the risk of being involved in money laundering activities unintentionally, we do not handle cash disbursements to and cash receipts from our customers in the course of conducting our business. To this end, we insist that all repayments from customers are made via bank transfer, cheque or direct cash bank deposit. If we consider a repayment pattern to be suspicious, our anti-money laundering officer will be informed of such irregular behaviour immediately for his or her further handling, which may involve notifying the Joint Financial Intelligence Unit or any relevant regulatory bodies.

HISTORICAL COMPLIANCE MATTERS

At the beginning of our business operations, PSL obtained consent from two of our customers to re-pledge their securities collateral to an intermediary which was not an Authorised Institution in contravention of the SFCSR. The margin loan from said intermediary was obtained to extend margin financing of the same amount to the aforementioned clients and had since May 2013 been fully settled. This was a one-off transaction and the incident was an inadvertent oversight of requirements under the SFCSR. In this regard, we have (i) enhanced our internal control procedures to prevent future occurrence of such incident; and (ii) duly reported the incident to the SFC. The SFC noted the one-off incident and our rectification measures and up to the Latest Practicable Date, has taken no further action.

Directors and the Sponsor’s views

Having considered (a) the fact that the incident was an inadvertent error and its one-off nature; (b) the background leading to the specific incident; (c) the status of this case; (d) no occurrence of an incident of the same nature thereafter; and (e) any potential liability with regards to the one-off incident identified is fully indemnified by the Controlling Shareholders under the Deed of Indemnity, our Directors are of the view, and the Sponsor concurs, that (i) the enhanced internal control measures adopted by our Group for this purpose are adequately

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designed and effectively implemented; (ii) the one-off incident identified does not affect the suitability of our Directors to act as directors under Rules 5.01 and 5.02 of the GEM Listing Rules; and (iii) the one-off incident identified does not affect the suitability for our Company's listing under Rule 11.06 of the GEM Listing Rules.

REGULATIONS, LICENCES AND TRADING RIGHTS

Type of licence	Effective date	Scope of licence	Status
SFO Type 1 licence	13 September 2012	Licence under the SFO to carry out Type 1 (dealing in securities) regulated activity	Valid
Exchange Participant Certificate (No. P1623)	3 December 2012	Allows corporation to trade on or through the Stock Exchange	Valid
Stock Exchange Trading Right (No. 1074)	3 December 2012	Allows corporation to trade on or through the Stock Exchange	Valid
Money Lenders Licence (No. 243/2014)	14 February 2014	Allows a person or corporation to lend money in Hong Kong	Valid until 14 February 2015 (Note)

Note: An application for renewal was submitted with regards to our Money Lenders Licence on 18 November 2014. We have received a letter of no objection to the renewal from the Commissioner of Police on 30 January 2015.

SFC licences

The securities market in Hong Kong is highly regulated. The principal regulatory bodies governing our business are the SFC and the Stock Exchange. Our business, and our responsible personnel, are subject to a number of legislations, regulations and the respective rules of the Stock Exchange and, upon Listing, the GEM Listing Rules.

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In particular, PSL is required under the SFO to be licensed with the SFC and be admitted as an Exchange Participant in order to conduct our business. Set out below is a summary of the relevant licences and trading rights currently held by PSL relating to its brokerage, margin financing and placing and underwriting services:

- (i) Licence under the SFO to carry out Type 1 (dealing in securities) regulated activity;
- (ii) Exchange Participant Certificate (No. P1623); and
- (iii) Stock Exchange Trading Right (Distinctive No. 1074).

According to Part 1 of Schedule 5 of the SFO, Type 8 regulated activity is "securities margin financing". According to Part 2 of Schedule 5 of the SFO, "securities margin financing" means providing financial accommodation in order to facilitate acquisition of securities and the continued holding of those securities, but does not include, inter alia, the provision of financial accommodation by a corporation licensed for Type 1 regulated activity. As PSL is licensed to carry out Type 1 (dealing in securities) regulated activity, it is excluded from the definition of "securities margin financing" as defined under Part 2 of Schedule 5 of the SFO and is not required to be further licensed to carry out Type 8 (securities margin financing) regulated activity.

The above licences and trading rights of PSL have no expiry date and will remain valid unless they are suspended or revoked by the SFC or the Stock Exchange.

The Responsible Officers for our Type 1 (dealing in securities) regulated activity during the Track Record Period and up to the Latest Practicable Date are Mr. Wong Wing Shing, Mr Wong Chi Kan and Ms. Ma Sai Wun Ginny.

Money Lenders Licence

Hong Kong's money lending industry is regulated and money lenders are required to be licensed as such under the Money Lenders Ordinance. The primary regulators of the money lending industry in Hong Kong include the Licensing Court, the Registrar of Money Lenders and the Commissioner of Police.

PCGL is licensed under the Money Lenders Ordinance to carry out money lending activities from our headquarters for a period of one year from 14 February 2014 till 14 February 2015. An application for renewal was submitted with regards to our Money Lenders Licence on 18 November 2014. We have received a letter of no objection to the renewal from the Commissioner of Police on 30 January 2015.

Our Group has obtained all material licences, permits or certificates necessary to conduct our business from the relevant governmental bodies in Hong Kong. Our Group complies with all applicable laws, regulations, rules, codes and guidelines in Hong Kong which are material to the business and operations of the Group. Details of the regulatory and licensing requirements are disclosed under the section headed "Regulatory overview" of this document.

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LITIGATION

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance are known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

DOMAIN NAME AND INTELLECTUAL PROPERTY RIGHTS

Our Groups currently owns the domain name *www.pinestone.com.hk*, which was registered on 11 April 2012 and is due to expire on 12 April 2015, subject to renewal. The registration prevents others from using our domain name during the subsisting registration period.

As at the Latest Practicable Date, our Group has not obtained registration of any trademark in relation to our business but is in the process of applying for the trademark below:

Trademark	Application number	Class	Name of applicant	Place of application	Date of application
PineStone 鼎石	303216276	36	Pinestone Capital Limited 鼎石資本 有限公司	Hong Kong	27 November 2014

Unregistered trademarks and trade names can be protected by the common law action of passing off in Hong Kong. Up to the Latest Practicable Date, our Directors were not aware of any challenges by third parties against our Group's use of "Pinestone" in conducting our business. In the event of any such action by or against our Group, our Directors believe that we will be able to prove the goodwill and reputation of "Pinestone" under which our Group has been conducting our business since our establishment.

During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any intellectual property infringement claim which would have had a material impact on our business, financial conditions or results of operations. Details of our intellectual property rights are set out in the paragraph headed "2. Intellectual property rights of our Group" in Appendix IV to this document.

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STAFF WORKING CONDITIONS, TRAINING AND INTEGRITY

Details of our Group's general working conditions as well as remunerations and employment benefits are set out in our staff handbook. For further details, please refer to the paragraph headed "Staff" under the section headed "Directors, senior management and employees" of this document. For staff training, our policy on employee dealing and our policy on anti-money laundering and counter-terrorist financing, please refer to the section detailing our current internal control measures as described in the paragraph headed "Internal control" in this section.

PROPERTIES

As at the Latest Practicable Date, we did not own any properties.

The address of our principal place of business is Unit 1506, 15th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong. We currently lease the office space at this address as our principal place of business in Hong Kong. We entered into an agreement with a landlord whereby we would rent the property for a period of three years starting 10 October 2012. The rental cost (including service fees) of these premises amounted to approximately HK\$1.4 million and HK\$1.4 million for the two years ended 31 December 2013 and 2014 respectively. No valuation report for this office space has been included in this document as it is exempted under section 6 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L).

INSURANCE

As required under the Securities and Futures (Insurance) Rules, our Group has taken out insurance for our regulated activities for events such as loss of client assets due to theft by employees or other fraudulent acts stipulated in our insurance policy. We also provide medical insurance to our employees. The aggregate premium of all of our insurance policies amounted to approximately HK\$24,000 and HK\$39,000 for the two years ended 31 December 2013 and 2014. As the major aspects of our operations have been covered by insurance, we believe our Group has taken out adequate insurance in line with industry standards to cover our assets and our employees. During the Track Record Period there were no material insurance claims.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS

Our Board has the ultimate responsibility for the management of our Company. Our Board currently consists of five Directors, namely two executive Directors and three independent non-executive Directors.

Name	Age	Position	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors/ senior management
Mr. Cheung Yan Leung Henry (張仁亮)	63	Chairman and executive Director	14 January 2015	10 December 2012	Formulation of corporate strategy, overall business development and client referrals	Father of Mr. Jonathan Cheung
Mr. Cheung Jonathan (張存雋)	28	Vice Chairman, Chief Executive Officer and executive Director	14 January 2015	13 March 2012	Formulation of corporate strategy, overseeing our management and business development	Son of Mr. Henry Cheung
Mr. Yeung King Wah (楊景華)	56	Independent non-executive Director	[●]	[●]	Providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct	N/A
Mr. Lai Tze Leung George (黎子亮)	63	Independent non-executive Director	[●]	[●]	Providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct	N/A
Mr. So Stephen Hon Cheung (蘇漢章)	59	Independent non-executive Director	[●]	[●]	Providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standard of conduct	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Executive Directors

Mr. Cheung Yan Leung Henry (張仁亮), aged 63, has been the Chairman and an executive Director of our Group since 2012. He is primarily responsible for formulating the corporate strategy of the Group, managing its overall business development and client referrals. After graduating from McMaster University in Canada with a Bachelor of Commerce degree in November 1973, he became a member of The Institute of Chartered Accountants of Ontario in December 1976. Mr. Henry Cheung has over thirty years' worth of experience in the accounting field and is experienced in the financial and business sectors. Mr. Henry Cheung has also been a fellow member of the Hong Kong Institute of Certified Public Accountants since May 1987. Mr. Henry Cheung is the father of Mr. Jonathan Cheung, an executive Director.

Mr. Henry Cheung has not held directorships in any public companies the shares of which are or have been listed on any exchange in Hong Kong or overseas in the past three years. Mr. Henry Cheung was a director of the following companies, which were dissolved or wound-up (but not due to members' voluntary winding-up) with details as follows:

Name of company	Principal business activity immediately before dissolution	Date of dissolution or winding-up	Details
Li-Qing Foundation Company Limited	Charity	13 November 2009	This was a Hong Kong incorporated company which was dissolved by striking off pursuant to section 291(6) of the Predecessor Companies Ordinance (<i>Note 1</i>)
New Global Consultants Limited	Dormant	15 June 2001	This was a Hong Kong incorporated company de-registered under section 291AA of the Predecessor Companies Ordinance and accordingly dissolved upon deregistration (<i>Note 2</i>)
Main Century Development Limited	Dormant	4 March 2011	This was a Hong Kong incorporated company de-registered under section 291AA of the Predecessor Companies Ordinance and accordingly dissolved upon deregistration (<i>Note 2</i>)

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Notes:

1. Pursuant to section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar may strike the name of the company off the register after the expiration of a specified period. Mr. Henry Cheung confirmed that the said company was solvent and was not carrying on business or in operation at the time of it being struck off.
2. Pursuant to section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Henry Cheung confirmed that there was no wrongful act on his part leading to the above dissolutions of the companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolutions of these companies.

Mr. Cheung Jonathan (張存雋), aged 28, has been the Chief Executive Officer and Vice Chairman of our Group since March 2012. Upon graduating from Cornell University in the U.S. with a Bachelor of Science degree in Operations Research and Engineering in May 2008, Mr. Jonathan Cheung developed his understanding of the financial industry through his roles as an analyst at a Swiss-based multinational investment bank and as investment analyst at an asset management firm from July 2008 to May 2010. He has been a designated Financial Risk Manager (FRM) since September 2010, and a Chartered Financial Adviser (CFA) since September 2012 and has experience in various financial fields, including investment banking, direct investment, credit finance and asset management. Mr. Jonathan Cheung is the son of Mr. Henry Cheung, an executive Director.

Mr. Jonathan Cheung's directorships in other companies listed on the Stock Exchange are set out below:

Company	Principal business during tenure	Position	Period
Pizu Group Holdings Limited (stock code: 8053)	Investment holding, development and provision of application software, information technology solutions and related maintenance services	Executive director	July 2011 to October 2013 (<i>Note 1</i>)
Green International Holdings Limited (stock code: 2700)	Manufacturing and trading of recreational and educational toys and equipment and clubhouse business	Non-executive director	July 2012 to January 2013 (<i>Note 2</i>)

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Notes:

1. According to the announcement of Pizu Group Holdings Limited dated 7 October 2013, Mr. Jonathan Cheung resigned as executive director due to the fact that he was unable to devote the time and effort to his duties at that company.
2. According to the announcement of Green International Holdings Limited dated 7 January 2013, Mr. Jonathan Cheung resigned as non-executive director due to his commitments to his own business.

Mr. Jonathan Cheung was a director of the following company, which were dissolved or wound-up (but not due to members' voluntary winding-up) with details as follows:

Name of company	Principal business activity immediately before dissolution	Date of dissolution or winding-up	Details
Li-Qing Foundation Company Limited	Charity	13 November 2009	This was a Hong Kong incorporated company which was dissolved by striking off pursuant to section 291(6) of the Predecessor Companies Ordinance (<i>Note 1</i>)

Note:

1. Pursuant to section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation, the Registrar may strike the name of the company off the register after the expiration of a specified period. Mr. Jonathan Cheung confirmed that the said company was solvent and was not carrying on business or in operation at the time of it being struck off.

Mr. Jonathan Cheung confirmed that there was no wrongful act on his part leading to the above dissolution of the company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of this company.

Independent non-executive Directors

Mr. Yeung King Wah (楊景華), aged 56, was appointed as an independent non-executive Director on [●]. Mr. Yeung has over 20 years' experience in audit, taxation, financial consulting and management which he accrued whilst working in both Europe and Asia. He obtained a Bachelor of Commerce degree from the University of Birmingham in the United Kingdom in July 1981. He has been a member of the Institute of Chartered Accountants in England and Wales since May 1987 and a member of the Hong Kong Institute of Certified Public Accountants since April 1998. He is also a member of the Chartered Institute of Taxation and the Association of Corporate Treasurers, both in the United Kingdom, since May 1990 and March 1994 respectively. In addition, Mr. Yeung is the founder of two accounting businesses, namely Yeung and Co., Chartered Accountants, headquartered in the United Kingdom, and China Consulting Consortium Limited, a Hong Kong-based company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Yeung's directorships in other companies listed on the Stock Exchange are set out below:

Company	Principal business during tenure	Position	Period
Eforce Holdings Limited (stock code: 943)	Manufacture and sale of healthcare and household products and coal mining business	Independent non-executive director	July 2007 to December 2011 (<i>Note 1</i>)
Pizu Group Holdings Limited (stock code: 8053)	Investment holding, development and provision of application software, information technology solutions and related maintenance services	Independent non-executive director	August 2007 to December 2012 (<i>Note 2</i>)
Green International Holdings Limited (stock code: 2700)	Manufacturing and trading of recreational and educational toys and equipment and the operation of a clubhouse business	Independent non-executive director	November 2011 to present

Notes:

1. According to the announcement of Eforce Holdings Limited dated 1 December 2011, Mr. Yeung resigned as independent non-executive director due to his other business commitments.
2. According to the announcement of Pizu Group Holdings Limited dated 14 December 2012, Mr. Yeung resigned as independent non-executive director due to other business commitments.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Yeung was a director of the following company, which were dissolved or wound-up (but not due to members' voluntary winding-up) with details as follows:

Name of company	Principal business activity immediately prior to dissolution	Date of dissolution or winding-up	Details
Superior Treasure Development Limited	Dormant	22 April 2005	This company incorporated in Hong Kong deregistered under section 291AA of the Predecessor Companies Ordinance and accordingly dissolved upon deregistration <i>(Note 1)</i>

Note:

1. Pursuant to section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before application; and (c) such company has no outstanding liabilities.

Mr. Yeung confirmed that there was no wrongful act on his part leading to the above dissolution of the company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of this company.

Mr. Lai Tze Leung George (黎子亮), aged 63, was appointed as an independent non-executive Director on [●]. Mr. Lai has almost 30 years' worth of experience in the manufacturing industry, having worked in senior managerial positions at several multinational manufacturing companies listed on various stock exchanges worldwide. He obtained a Bachelor of Social Science degree from The Chinese University of Hong Kong in October 1973 and a Master of Business Administration degree from the same institution in December 1982.

Mr. Lai has not held directorships in any public companies the shares of which are or have been listed on any exchange in Hong Kong or overseas in the past three years.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lai was a director of the following company, which was dissolved or wound-up (but not due to members' voluntary winding-up):

Name of company	Principal business activity immediately prior to dissolution	Date of dissolution or winding-up	Details
Worldpro Company Limited	Dormant	11 March 2005	This company incorporated in Hong Kong was deregistered under section 291AA of the Predecessor Companies Ordinance and accordingly was dissolved upon deregistration (<i>Note 1</i>)

Note:

1. Pursuant to section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or has ceased operation for more than three months immediately before application; and (c) such company has no outstanding liabilities.

Mr. Lai confirmed that there was no wrongful act on his part leading to the above dissolution of the company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of this company.

Mr. So Stephen Hon Cheung (蘇漢章), aged 59, was appointed as an independent non-executive Director on [●]. Mr. So has been a director of the accounting firm T.M. Ho So & Leung CPA Limited since August 2003. Mr. So has over ten years' worth of experience in the accountancy field and several years' worth of experience working as a finance director in the manufacturing industry. Mr. So graduated from The University of British Columbia in Canada with a Bachelor of Commerce degree in November 1979. He has been an associate member of the Institute of Chartered Accountants of British Columbia since December 1985 and a member of the Society of Management Accountants of British Columbia since October 1991, and has been a fellow member of the Hong Kong Institute of Certified Public Accountants since July 1993.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. So's directorships in other companies listed on the Stock Exchange are set out below:

Company	Principal business during tenure	Position	Period
Skyworth Digital Holdings Limited (stock code: 751)	Investment holding manufacture and sale of consumer electronic products and upstream accessories, property development and property holding	Independent non-executive director	March 2000 to December 2014 <i>(Note 1)</i>
PINE Technology Holdings Limited (stock code: 1079)	Manufacture of electronics and computer digital audio devices, wholesale and distribution of computer components	Independent non-executive director	September 2002 to present
Hang Ten Group Holdings Limited (stock code: 448)	Design, marketing, retail and wholesale of apparel and trademark licensing	Independent non-executive director	October 2002 to March 2012 <i>(Note 2)</i>
Milan Station Holdings Limited (stock code: 1150)	Retail of handbags, fashion accessories and embellishments operation	Independent non-executive director	April 2011 to present

Notes:

1. According to the announcement of Skyworth Digital Holdings Limited dated 24 December 2014, Mr. So resigned as independent non-executive director due to his other business commitments.
2. Hang Ten Group Holdings Limited was privatised and delisted in March 2012, and as such Mr. So's services as an independent non-executive director were no longer required.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. So was a director of the following companies, which were dissolved or wound-up (but not due to members' voluntary winding-up):

Name of company	Principal business activity immediately prior to dissolution	Date of dissolution or winding-up	Details
Ansilk Limited	Dormant	11 October 2002	This company incorporated in Hong Kong was dissolved by striking off pursuant to section 291(6) of the Predecessor Companies Ordinance (<i>Note 1</i>)
Clearwater Environmental Limited	Dormant	9 August 2002	This company incorporated in Hong Kong was dissolved by striking off pursuant to section 291(6) of the Predecessor Companies Ordinance (<i>Note 1</i>)
Elegant Heart Limited	Property and shares investments	17 April 2014	This company incorporated in Hong Kong was deregistered under section 291AA of the Predecessor Companies Ordinance and accordingly was dissolved upon deregistration (<i>Note 2</i>)
Suresound Investments Limited	Property investment	19 July 2013	This company incorporated in Hong Kong was deregistered under section 291AA of the Predecessor Companies Ordinance and accordingly was dissolved upon deregistration (<i>Note 2</i>)

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name of company	Principal business activity immediately prior to dissolution	Date of dissolution or winding-up	Details
Yanser International Limited	Dormant	13 August 2004	This company incorporated in Hong Kong was deregistered under section 291AA of the Predecessor Companies Ordinance and accordingly was dissolved upon deregistration (Note 2)
Kee Hing Property Management Limited	Dormant	25 July 2014	This company incorporated in Hong Kong was deregistered under section 291AA of the Predecessor Companies Ordinance and accordingly was dissolved upon deregistration (Note 2)

Notes:

1. Pursuant to section 291 of the Predecessor Companies Ordinance, where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or is not in operation, the Registrar may strike the name of the company off the register after the expiration of a specified period. Mr. So Hon Cheung confirmed that the said company was solvent and was not carrying on business or in operation at the time of it being struck off.
2. Pursuant to section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or has ceased operation for more than three months immediately before application; and (c) such company has no outstanding liabilities.

Mr. So confirmed that there was no wrongful act on his part leading to the above dissolutions and strikings out and he is not aware of any actual or potential claim which has been or will be made against him as a result.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Disclosure of relationships as required under Rule 17.50(2) of the GEM Listing Rules

Except for Mr. Henry Cheung and Mr. Jonathan Cheung, the two executive Directors of our Company, who are biologically related, each of our Directors and senior management are independent from and not related to any of our Directors or senior management.

Save as disclosed above and elsewhere in this document, each of our Directors confirmed with respect to himself that: (i) apart from our Company, he has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) save as disclosed in the paragraph headed "C. Further information about Directors and substantial shareholders" in Appendix IV to this document, he does not have any interests in the Shares within the meaning of Part XV of the SFO; (iii) there is no other information that should be disclosed for himself pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

AUDIT COMMITTEE

We have established an audit committee pursuant to a resolution of our Directors passed on [●] 2015 in compliance with Rule 5.2A of the GEM Listing Rules and with the written terms of reference in compliance with the Corporate Governance Code. The primary duties of our audit committee are mainly (i) to make recommendations to the Board on the appointment and removal of external auditors; (ii) to review and supervise the financial statements and material advice in respect of financial reporting; (iii) oversee internal control procedures and corporate governance of our Company; (iv) supervise internal control systems of our Group; and (v) to monitor any continuing connected transactions. All members of our audit committee are appointed by the Board. Our audit committee currently consists of all three of our independent non-executive Directors, namely Mr. Yeung King Wah, Mr. Lai Tze Leung George and Mr. So Stephen Hon Cheung. Mr. Yeung King Wah is the chairman of our audit committee.

REMUNERATION COMMITTEE

We have established a remuneration committee pursuant to a resolution of our Directors passed on [●] 2015 in compliance with the Rule 5.34 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the remuneration committee are mainly (i) to review and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and (iii) to review performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration. Our remuneration committee currently consists of one executive Director, Mr. Jonathan Cheung, and all three independent non-executive Directors, namely Mr. Yeung King Wah, Mr. Lai Tze Leung George, and Mr. So Stephen Hon Cheung. Mr. Yeung King Wah is the chairman of our remuneration committee.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

NOMINATION COMMITTEE

We have established a nomination committee pursuant to a resolution of our Directors passed on [●] 2015 with written terms of reference in compliance with the Corporate Governance Code. The primary duties of our nomination committee are mainly (i) to review the structure, size, composition and diversity of the Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; and (v) to make recommendations to our Board regarding the candidates to fill vacancies on our Board. Our nomination committee currently consists of one executive Director, Mr. Henry Cheung, and all three independent non-executive Directors, namely Mr. Yeung King Wah, Mr. Lai Tze Leung George and Mr. So Stephen Hon Cheung. Mr. Henry Cheung is the chairman of our nomination committee.

SENIOR MANAGEMENT

Ms. Wong Siu Kuen (黃少娟), aged 56, joined our Group in February 2013 as a general manager and is currently the head of the operations department. In this role, Ms. Wong is responsible for monitoring the daily operation of settlement, dealing with regulatory authorities, handling payrolls and general administrative duties. Ms. Wong has over 15 years' worth of experience in the back office operations departments of various banks and financial institutions. Ms. Wong obtained a Higher Certificate in Accountancy from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in November 1989 and a Bachelor's degree in Business Administration from the Open University of Hong Kong in December 2002. Ms. Wong also obtained a Certificate in Management Accounting – Building and Planning from the Hong Kong Management Association in June 2009.

Mr. Wong Wing Shing (王永晟), aged 27, joined our Group in February 2013 as a director and is currently a Responsible Officer and head of our credit department. He has been licensed by the SFC to carry out Type 1 (dealing in securities) regulated activity since October 2009. Mr. Wong's primary duties involve overseeing the securities-backed lending services and overall risk management of the Group's business. Mr. Wong has over five years' of experience in the securities industry, and from October 2009 to February 2013 he worked at a Hong Kong-based brokerage house, the parent company of which is listed on NASDAQ, where his last position was as a vice president. Mr. Wong obtained a Bachelor of Science degree from Cornell University in the U.S. in May 2009.

Mr. Wong Chi Kan (黃志勤), aged 53, joined our Group in September 2012 as one of our Responsible Officers. He has been a director of PSL since December 2012, and has been licensed to carry out Type 1 (dealing in securities) regulated activity since April 2003. Mr. Wong is currently the head of sales and trading, in which capacity he supervises the dealing department and is responsible for the front office operations, including executing client orders, advising clients and general day to day sales and trading work. Mr. Wong has many years of experience in the securities brokerage industry, having worked at several Hong Kong-based brokerage and securities houses over the past ten years.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Ms. Ma Sai Wun Ginny (馬世媛), aged 29, joined our Group in January 2013 as a director and is currently the head of compliance and one of our Responsible Officers, in which capacity she reviews the procedures and processes of the other departments on a daily basis so as to ensure compliance with the relevant rules and regulations that our Group must adhere to. From April 2011 to January 2013 Ms. Ma worked at a Hong Kong-based brokerage house, the parent company of which is listed on NASDAQ, where her last position was as a vice president of sales and marketing, and at the Hong Kong Exchanges and Clearing Limited where she was a trading operation officer in the Derivatives Market Department, from October 2008 to March 2011. Ms. Ma has over six years of experience in the financial market. Ms. Ma obtained a Bachelor of Arts degree in Economic and Social Studies (Finance) from the University of Manchester in the United Kingdom in June 2007 and a Master of Science degree in Finance from the same institution in November 2008.

Mr. Law Heung Chung (羅向聰), aged 35, joined our Group in December 2014 as our director of finance and Company Secretary. His major responsibilities are to review the finance and accounting functions and oversee financial reporting matters of our Group. Mr. Law has several years' worth of experience as a financial manager at companies listed on the Stock Exchange during the course of his career. Mr. Law obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in November 2002. Mr. Law has been an associate of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators since November 2010. He has also been a fellow member of the Hong Kong Institute of Certified Public Accountants since October 2014.

None of our senior management team described above have held directorships in any public companies the shares of which are or have been listed on any exchange in Hong Kong or overseas in the past three years.

COMPANY SECRETARY

Mr. Law Heung Chung (羅向聰), is our director of finance and the Company Secretary of our Company. For details on his background, please refer to the paragraph headed "Senior management" above.

COMPLIANCE OFFICER

Mr. Jonathan Cheung (張存雋) was appointed as the compliance officer (Rule 5.19 of the GEM Listing Rules) of our Company on 12 February 2015. Please refer to the paragraph above headed "Executive director" in this section for details about Mr. Jonathan Cheung's qualifications.

AUTHORISED REPRESENTATIVES

Mr. Henry Cheung and Mr. Jonathan Cheung are the authorised representatives of our Company.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration policy

During the Track Record Period, the total remuneration (including salaries and allowances, discretionary bonuses and contributions to pension schemes) paid by us to our Directors for the two years ended 31 December 2013 and 2014 was nil and nil respectively. Under the arrangements currently in force, the aggregate remuneration and benefits-in-kind to our Directors paid or payable (excluding any commission or discretionary bonus) in respect of the year ending 31 December 2015 is estimated to be approximately HK\$[0.7] million.

Our Group's principal policies concerning remuneration of Directors and senior management are determined based on the relevant Director or member of senior management's duties, responsibilities, experiences, skills, time commitment, performance of our Group and are made with reference to those paid by comparable companies. Our executive Directors and senior management may receive discretionary bonuses which shall be determined by our Board with regard to the performance of the relevant executive Director or member of senior management and the operating results of the Group as a whole in respect of the financial year. Our independent non-executive Directors receive compensation in the form of director fees.

Each of our executive Directors and independent non-executive Directors has entered into either a service contract or letter of appointment with our Company for an initial term of three years with effect from the Listing Date, which will continue thereafter until terminated by not less than three months' notice in writing. Further details of the terms of the service contracts or letters of appointment entered into with our Directors are set out in the paragraph headed "Particulars of service contracts" in Appendix IV to this document.

The staff costs of our Group (including salaries, allowances and contributions to retirement schemes) for the two years ended 31 December 2013 and 2014 amounted to approximately HK\$2.8 million and HK\$2.8 million respectively.

The aggregate amount of salaries and other allowances and benefits in kind paid by us to the five highest paid employees during the two years ended 31 December 2013 and 2014 were approximately HK\$2.0 million and HK\$1.9 million respectively. During the two years ended 31 December 2013 and 2014, no discretionary bonuses were paid to our five highest paid employees. Approximately HK\$70,000 and HK\$73,000 were paid by our Group as contribution to the mandatory provident fund schemes in respect of such employees for each of the two years ended 31 December 2013 and 2014 respectively.

We participate in the mandatory provident fund scheme prescribed by the Mandatory Provident Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees, and we have made the relevant contributions in accordance with the aforesaid laws and regulations. We also provide medical benefits to them. Our employees are remunerated with monthly salaries and discretionary bonuses based on individual performance, market performance, our Group's profit as a whole and comparable market levels.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

STAFF

Function

As at 31 December 2013 and 2014 and the Latest Practicable Date, the breakdown of our Group's full-time employees by principal functions is set out below:

	As at 31 December		As at the Latest Practicable Date
	2013	2014	
Management	2	2	2
Credit	1	1	1
Sales and Trading	2	2	2
Operations	5	6	6
Total	10	11	11

We intend to hire additional competent personnel to complement our expansion plans as and when necessary.

Staff dealing

Pursuant to paragraph 12.2 of the Code of Conduct, employees are generally required to deal through the licensed or registered person or its affiliates, and for the purposes of this paragraph, the term "employees" includes directors (other than non-executive directors) of a licensed or registered person.

All of our Group's employees are required to trade through the staff accounts of PSL, unless he or she has obtained prior written consent from the Compliance Committee.

The commission income from staff dealings through our Group during the two years ended 31 December 2013 and 2014 was approximately HK\$0.1 million and HK\$0.2 million, respectively. All of our staff dealing commission rates are negotiated on terms no more favourable to those offered to our independent customers.

Please refer to the section headed "Connected transactions" for details regarding connected person dealings.

Our relationship with employees

Our Directors believe that our Group has maintained good working relationships with our employees. None of our employees are members of trade unions. We have not experienced any major difficulties in recruiting suitable employees and have not experienced any material disruption to our business operations arising from labour disputes in the past.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Staff training

We regularly arrange for our employees to attend professional training courses and seminars in order to keep them abreast of developments in the financial industry and knowledgeable of the relevant rules and regulations our Group must adhere to. All Licensed Representatives and Responsible Officers are required to undertake a certain amount of continuous professional training in order to maintain their SFC licences to carry out regulated activities.

COMPLIANCE ADVISER

Our Company has appointed Altus Capital Limited as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise our Company on the following matters:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (3) where our Company proposes to use the proceeds of the [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this document; and
- (4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares pursuant to Rule 17.11 of the GEM Listing Rules.

Pursuant to Rule 6A.24 of the GEM Listing Rules and the compliance adviser agreement entered into between the compliance adviser and our Company, the compliance adviser will, among other things:

- (1) ensure our Company is properly guided and advised as to compliance with the GEM Listing Rules and the Takeovers Code;
- (2) act as one of our principal channels of communication with the Stock Exchange, including accompanying our Company to any meetings with the Stock Exchange, unless otherwise requested by the Stock Exchange;
- (3) in relation to any application by our Company for a waiver from any of the requirements in Chapters 19 and 20 of the GEM Listing Rules, advise our Company on our obligations and in particular the requirement to appoint an independent financial adviser (save for those waivers the respective applications of which have been submitted to the Stock Exchange prior to listing and disclosed in this document); and

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

- (4) assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, if any inadequacies are identified, recommend necessary remedial steps to our Directors.

Term

The term of appointment of the compliance adviser shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of our financial results for the second full financial year commencing after the Listing Date, subject to termination.

Duties of our Company

Our Company shall fully comply with and discharge our responsibilities under the GEM Listing Rules and other applicable laws, regulations and codes relating to securities and corporate governance that are applicable to our Company.

During the Term, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the circumstances as required under Rule 6A.23 of the GEM Listing Rules.

Termination

The compliance adviser agreement can be terminated by either party upon giving the other party not less than one month's prior written notice.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

HCC is a company incorporated in the BVI with limited liability and wholly-owned by Mr. Henry Cheung. Immediately upon completion of the Capitalisation Issue and the [REDACTED] without taking into account of any Shares which may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme, HCC will hold [REDACTED]% of our issued share capital. Accordingly, Mr. Henry Cheung and HCC, being an investment holding company, are our Controlling Shareholders.

Our Controlling Shareholders, Directors and their respective close associates confirmed that apart from the business of our Group, they do not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and would require disclosure under Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors consider that we will be able to operate independently from our Controlling Shareholders and their respective close associates (other than our Group) upon the Listing for the following reasons:

Management independence

Our Board comprises two executive Directors and three independent non-executive Directors. Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Directors shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following completion of the [REDACTED].

Operational independence

Our Directors consider that our operations do not depend on the operation of our Controlling Shareholders for the following reasons:

- (i) there is no competing business between our Group and any of our Controlling Shareholders;
- (ii) none of our Directors has an interest in any business which competes or is likely to compete, either directly or indirectly, with our business; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (iii) we have our own independent operation capabilities and independent access to customers and vendors and have not entered into any connected transactions with any connected person of our Group save for the connected transactions that will continue after the Listing as set out in the section headed "Connected transactions" of this document. The continuing connected transactions of our Group as set out in the section headed "Connected transactions" of this document have been entered into and will continue to be entered into on normal commercial terms and in our ordinary course of business, and the revenue derived or expected to be derived from such continuing connected transactions are not material to the Group.

Our Group, our Controlling Shareholders and their respective close associates do not have any common, nor shared, facilities or resources during the Track Record Period and up to the Latest Practicable Date.

On the basis of the matters described in this section, we believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

Financial independence

We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has an independent credit approval system and makes financial decisions according to its own business needs. We are financially independent of our Controlling Shareholders and their respective close associates. During the Track Record Period, our Controlling Shareholders have provided financial assistance in the form of a loan to our Group. As at 31 December 2014, all loans, advances and balances due to our Controlling Shareholders and their respective close associates have been fully settled. All guarantees provided by our Controlling Shareholders and their respective close associates on our Group's borrowing will be fully released and replaced by corporate guarantee to be provided by our Company upon the Listing.

Our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

NON-COMPETITION UNDERTAKINGS

Each of our Controlling Shareholders has entered into a Deed of Non-Competition in favour of our Company, pursuant to which each of our Controlling Shareholders has undertaken to our Company (for itself and for the benefit of its subsidiaries) that it or he would not, and would procure that its or his close associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on its or his own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in or acquire or hold shares or interests (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise) in any companies or businesses that compete directly or indirectly with the brokerage, margin financing, money lending and placing and underwriting services provided by our Group (the "**Restricted Business**").

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

In the event that any of our Controlling Shareholders or their respective close associates (other than any member of our Group) intends to acquire, or is offered by a third party, any investment which is, or is likely to be in, direct or indirect, competition of the Restricted Business ("**Proposed Investment**"), each of our Controlling Shareholders has undertaken that it/he shall refer to our Company the Proposed Investment in the following manner:

- (i) our Controlling Shareholders or their respective close associates shall provide the Board with a written notice in respect of the Proposed Investment, together with all relevant information of Proposed Investment (including but not limited to the particulars of the companies, businesses or properties to be acquired, consideration involved and other proposed terms of the acquisition) reasonably necessary for our Company to consider whether to pursue the opportunity;
- (ii) when considering whether or not to take up any Proposed Investment, our independent non-executive Directors will consider whether the Proposed Investment is expected to present a sustainable level of profitability, accords with our development strategy at that time, and whether the terms of the Proposed Investment are fair and reasonable and on normal commercial terms with reference to the prevailing market prices of such business opportunity. Our independent non-executive Directors may from time to time commission the assistance of external professional advisers (including an independent financial adviser) at the cost of our Company as they consider necessary or desirable to advise them regarding the terms of any such Proposed Investment or any such other matter. Our Controlling Shareholders agree, and will procure their respective close associates, to provide all information reasonably required by our independent non-executive Directors and/or independent financial adviser to assist them in their assessment of the Proposed Investment;
- (iii) our Company is required to notify the relevant Controlling Shareholder within 30 business days after the date of such notice, the decision as to whether the Proposed Investment is accepted or declined. Our Company will seek approval from its Board, consisting of independent non-executive Directors who do not have any material interests in the Proposed Investment, as to whether to pursue or decline such opportunity;
- (iv) the relevant Controlling Shareholder or his/its close associates will be entitled to pursue the Proposed Investment if (a) he/it has received a notice from our Company declining such opportunity; or (b) he/it has not received any notice above from our Company within 30 business days after the date of the above notice; and
- (v) if there is a material change in the terms or nature of the Proposed Investment pursued by the relevant Controlling Shareholder or his/its close associates, he/it will refer the opportunity pursuant to the revised terms to our Company again in the manner as outlined above.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Such non-competition undertaking does not apply where:

- (a) any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business has first been offered or made available to our Company and has been offered to our Group in accordance with the Deed of Non-Competition and our Group, after review and approval by the independent non-executive Directors, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party, provided that the principal terms by which each of our Controlling Shareholders (or its or his relevant close associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those offered to our Company; or
- (b) (i) when the Controlling Shareholders and/or their respective close associates, directly or indirectly, through their respective subsidiaries, affiliates or other parties become interested in less than 30.0% of the issued shares of our Company in aggregate; (ii) the Shares are no longer listed on the Stock Exchange; or (iii) having interests in the shares of a company which shares are listed on a recognised stock exchange provided that the total number of the shares held by our Controlling Shareholders and/or their respective close associates in aggregate does not exceed 5.0% of the issued shares of that class of the company in question and such Controlling Shareholders and/or their respective close associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and their respective close associates in aggregate.

The "restricted period" stated in the Deed of Non-Competition refers to the period during which (i) the Shares remain listed and traded on the Stock Exchange; and (ii) the relevant Controlling Shareholders and/or their respective close associates are entitled to jointly or severally exercise or control the exercise of not less than 30.0% in aggregate of the voting rights at general meetings of our Company.

CORPORATE GOVERNANCE MEASURES

Upon Listing, we will be required to comply with stringent requirements concerning internal controls and corporate governance as stipulated under the GEM Listing Rules. In this regard, our Directors confirm that neither they nor their respective close associates have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business and would require disclosure under Rule 11.04 of the GEM Listing Rules. Each of our Directors has confirmed that he fully comprehends his obligations to act in the best interests of our Company and the Shareholders as a whole.

Our Company will adopt the following corporate governance measures to manage any potential or actual conflict of interests between us and our Controlling Shareholders and to safeguard the interests of our Shareholders:

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- our Company adopted the Articles on [●] 2015, the provisions of which are in compliance with requirements of the Companies Law and the GEM Listing Rules. Generally, a Director is prohibited under the Articles from voting (or being counted in the quorum) on any resolution of our Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have any material interest, and if he shall do so his vote shall not be counted (and he shall not be counted in the quorum for that resolution);
- our independent non-executive Directors will review, at least on an annual basis, the compliance with the Deed of Non-Competition by our Controlling Shareholders;
- our Controlling Shareholders have undertaken to us that they will, and will procure their respective close associates to use their best endeavours to provide all information necessary for the annual review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition;
- we will disclose the review by the independent non-executive Directors on the compliance with, and the enforcement of, the Deed of Non-Competition, including the decision and related basis to accept or decline any Proposed Investment, in our annual report or by way of announcement to the public in compliance with the requirements of the GEM Listing Rules;
- our Controlling Shareholders will make an annual declaration in our annual report on the compliance with the Deed of Non-Competition in accordance with the principle of voluntary disclosure in the corporate governance report;
- the executive Directors will ensure that any material conflict or material potential conflict of interests involving the Proposed Investment will be reported to the independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a Board meeting will be held to review and evaluate the Proposed Investment. The conflicted Directors shall refrain from participating in the Board meetings on which resolutions with material conflict or material potential conflicts of interest are discussed;
- in the event that the material conflict or material potential conflict of interests involving the Proposed Investment may materialise, our Controlling Shareholder(s) and their respective close associates will abstain from voting in the Shareholders' meeting with respect to the resolution(s) considering such acquisition;
- our Company has set up an audit committee on [●] to review and supervise our Company's financial reporting process and internal control systems of our Group and to monitor any continuing connected transactions, all members of which are independent non-executive Directors; and
- our Group has appointed Altus as our compliance adviser, particulars of the terms of appointment are set forth under the paragraph headed "Compliance Adviser" under the section headed "Directors, senior management and employees" of this document.

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 20 of the GEM Listing Rules, our Directors, substantial Shareholders and Chief Executive Officer or those of our subsidiaries, any person who was our Director or a director of our subsidiaries within 12 months preceding the Listing Date, and any of their respective associates will become a connected person of our Company upon the Listing. Upon the Listing, our transactions with such connected persons will constitute connected transactions of our Company under Chapter 20 of the GEM Listing Rules. Our Directors confirm that the following transactions with our connected persons will continue and will constitute continuing connected transactions of our Company under Chapter 20 of the GEM Listing Rules upon the Listing.

CONTINUING CONNECTED TRANSACTIONS WHICH ARE EXEMPT FROM THE REPORTING, ANNUAL REVIEW, ANNOUNCEMENT AND INDEPENDENT SHAREHOLDERS' APPROVAL REQUIREMENTS

1. Brokerage Service Agreements

During the Track Record Period, each of Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick had individually maintained an account with PSL and had received brokerage services from PSL. Given that Mr. Henry Cheung is our Controlling Shareholder and our executive Director, Mr. Jonathan Cheung is our substantial Shareholder and our executive Director and Ms. Chick is the spouse of Mr. Wong Chi Kan, a director of PSL, the brokerage services provided by PSL to them constituted connected transactions for our Company pursuant to the GEM Listing Rules.

It was noted that pursuant to paragraph 12.2 of the Code of Conduct, employees should generally be required to deal through the licensed or registered person or its affiliates, and for the purposes of that paragraph, the term "employees" includes directors (other than non-executive directors) of a licensed or registered person. In order to comply with the above requirement, our Directors consider it appropriate to require Mr. Henry Cheung and Mr. Jonathan Cheung to continue to conduct their personal securities dealing activities (being the provision of the aforesaid brokerage services) through PSL after the Listing.

CONNECTED TRANSACTIONS

Pursuant to the Brokerage Service Agreements entered into between PSL and each of Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick on [●], PSL may (but is not obliged to), upon request, provide to each of them brokerage services, on normal commercial terms and at rates comparable to rates offered to other customers of PSL who are Independent Third Parties from time to time. Set out below are the principal terms of the Brokerage Service Agreements:

Period:	Listing Date to 31 December 2017
Brokerage fee:	0.20% to 0.25% and such rates are comparable to those rates offered to other customers of PSL who are Independent Third Parties
Termination:	seven days notice in writing by either party, or forthwith by PSL by written notice if imposed by the Stock Exchange, or if the transactions contemplated under the Brokerage Service Agreements cannot be complied with by PSL

The general brokerage commission rates offered to Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick were in the range of 0.20% to 0.25% whereas the general brokerage commission rates offered to Independent Third Parties were in the range of 0.05% to 0.25%. The rates offered to Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick were within the range offered to Independent Third Parties. We consider that the brokerage commission rates offered to Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick are based on normal commercial terms and at rates comparable to those rates offered to other customers of our Group who are Independent Third Parties during the Track Record Period.

Brokerage income from Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick and the Brokerage Annual Caps

Set out below is the brokerage income received by PSL from Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick as a result of the provision of brokerage services to them for the two years ended 31 December 2014, and the estimated annual brokerage income ("**Brokerage Annual Cap**") to be received by PSL from Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick for the three years ending 31 December 2017.

CONNECTED TRANSACTIONS

	For the year ended 31 December				Brokerage Annual Cap		
	2013		2014		For the year ending 31 December		
	Brokerage income	% of total revenue	Brokerage income	% of total revenue	2015	2016	2017
	HK\$		HK\$		HK\$	HK\$	HK\$
Mr. Henry Cheung	80,344	0.5%	58,616	0.2%	500,000	500,000	500,000
Mr. Jonathan Cheung	31,609	0.2%	38,168	0.1%	500,000	500,000	500,000
Ms. Rowena Chick	223,997	1.3%	303,547	0.9%	500,000	500,000	500,000
Total	335,950	2.0%	400,331	1.2%	1,500,000	1,500,000	1,500,000

Basis of determining the Brokerage Annual Caps

In determining the Brokerage Annual Caps, our Directors have considered the expected trading volume of our Group as well as Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick, and the expected demand of brokerage services by Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick for the three years ending 31 December 2017. Moreover, given that Mr. Henry Cheung and Mr. Jonathan Cheung are required to conduct their personal securities dealing activities through PSL after the Listing, our Directors consider it reasonable to extend margin financing to them (as further elaborated in the following paragraph), which in turn is likely to result in more trading activities and thus higher brokerage income. In this regard, the Brokerage Annual Caps are estimated to be higher than the historical brokerage income recorded. In addition, our Directors have considered the general economic conditions and trading volume of the overall market.

2. Margin Financing Service Agreements

During the Track Record Period, each of Mr. Henry Cheung and Mr. Jonathan Cheung had individually maintained a margin account with PSL but had not received any margin financing services from our Group.

Given that Mr. Henry Cheung is our Controlling Shareholder and one of our executive Directors and Mr. Jonathan Cheung is our substantial Shareholder and one of our executive Directors, the margin financing services to be provided by PSL to them will constitute connected transactions for our Company pursuant to the GEM Listing Rules.

Pursuant to the Margin Financing Service Agreements entered into between PSL and each of Mr. Henry Cheung and Mr. Jonathan Cheung on [●], PSL may (but is not obliged to), upon request, provide to each of them margin financing services, on normal commercial terms and at rates comparable to rates offered to other customers of PSL who are Independent Third Parties from time to time. Set out below are the principal terms of the Margin Financing Service Agreements:-

Period:	Listing Date to 31 December 2017
Margin financing fee:	Normal commercial terms at a rate of Prime Rate +3%, or at rates comparable to that of other customers of PSL who are Independent Third Parties of similar credit standing, trading record and quality of collaterals given

CONNECTED TRANSACTIONS

Termination: seven days notice in writing by either party, or forthwith by PSL by written notice if imposed by the Stock Exchange, or if the transactions contemplated under the Margin Financing Service Agreements cannot be complied with by PSL

Maximum daily outstanding amount of financing to be provided to Mr. Henry Cheung and Mr. Jonathan Cheung and the Financing Annual Caps

Pursuant to the Margin Financing Service Agreements, the maximum daily outstanding amount of financing to Mr. Henry Cheung and Mr. Jonathan Cheung for the three years ending 31 December 2017 (the "**Financing Annual Cap**") are proposed as follows:

	Maximum daily outstanding amount for the year ended 31 December		Financing Annual Cap For the year ending 31 December		
	2013	2014	2015	2016	2017
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Mr. Henry Cheung	–	–	500,000	500,000	500,000
Mr. Jonathan Cheung	–	–	500,000	500,000	500,000
Total	<u>–</u>	<u>–</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>

Margin financing services to be provided to Mr. Henry Cheung and Mr. Jonathan Cheung and the Interest Annual Caps

During the Track Record Period, PSL did not receive any interest income from Mr. Henry Cheung and Mr. Jonathan Cheung given that no margin financing service was provided to either of them. In view of the extension of margin financing to Mr. Henry and Mr. Jonathan Cheung, set out below is the estimated interest income ("**Interest Annual Cap**") to be received by PSL from Mr. Henry Cheung and Mr. Jonathan Cheung for the three years ending 31 December 2017.

	For the year ended 31 December				Interest Annual Cap For the year ending 31 December		
	2013		2014		2015	2016	2017
	Interest income <i>HK\$</i>	% of total turnover	Interest income <i>HK\$</i>	% of total turnover	Interest income <i>HK\$</i>	Interest income <i>HK\$</i>	Interest income <i>HK\$</i>
Mr. Henry Cheung	–	–	–	–	63,000	63,000	63,000
Mr. Jonathan Cheung	–	–	–	–	63,000	63,000	63,000
Total	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>126,000</u>	<u>126,000</u>	<u>126,000</u>

CONNECTED TRANSACTIONS

Basis of determining the Interest Annual Caps and Financing Annual Caps

In determining the Interest Annual Caps and the Financing Annual Caps, our Directors have considered the expected trading volume of our Group as well as Mr. Henry Cheung and Mr. Jonathan Cheung and the expected demand of margin financing services by Mr. Henry Cheung and Mr. Jonathan Cheung for the three years ending 31 December 2017. Our Directors have also considered the general economic conditions and trading volume of the overall market.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios as defined in Rule 19.07 of the GEM Listing Rules calculated with reference to the Brokerage Annual Caps, the Interest Annual Caps and the Financing Annual Caps on an annual basis, is less than 5.0% (and the annual consideration is less than HK\$3,000,000), the Brokerage Service Agreements and Margin Financing Service Agreements will fall within the exemption under Rule 20.74 of the GEM Listing Rules and be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements.

DIRECTORS' VIEW

Having considered (i) that the historical brokerage services provided to each of Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick during the Track Record Period were at rates and amounts comparable to those offered to other customers of PSL who are Independent Third Parties of similar credit standing, trading record and quality of collaterals; (ii) that the expected margin financing services to be provided to each of Mr. Henry Cheung and Mr. Jonathan Cheung upon the Listing will be at rates and amounts comparable to those offered to other customers of PSL who are Independent Third Parties of similar credit standing, trading record and quality of collaterals; and (iii) the extension of margin financing to Mr. Henry Cheung and Mr. Jonathan Cheung in connection with our Group requiring them to conduct their personal securities dealing activities through PSL after the Listing, our Directors (including the independent non-executive Directors) consider that each of the Brokerage Service Agreements (including the terms and conditions thereof and the Brokerage Annual Caps) and Margin Financing Service Agreements (including the terms and conditions thereof as well as the Interest Annual Caps and the Financing Annual Caps) have been entered into in the ordinary and usual course of business of our Group and are on normal commercial terms which are fair and reasonable and in the interest of our Company and Shareholders as a whole.

SPONSOR'S VIEW

Having considered (i) that the historical brokerage services provided to each of Mr. Henry Cheung, Mr. Jonathan Cheung and Ms. Chick during the Track Record Period were at rates and amounts comparable to those offered to other customers of PSL who are Independent Third Parties of similar credit standing and trading record; (ii) that the expected margin financing services to be provided to each of Mr. Henry Cheung and Mr. Jonathan Cheung upon the Listing will be at rates and amounts comparable to those offered to other customers of PSL who are Independent Third Parties of similar credit standing, trading record and quality of collaterals; and (iii) the extension of margin financing to Mr. Henry Cheung and Mr. Jonathan Cheung in connection with our Group requiring them to conduct their personal securities dealing activities through PSL after the Listing, the Sponsor is of the view that the Brokerage Service Agreements (including the terms and conditions thereof and the Brokerage Annual Caps) and Margin Financing Service Agreements (including the terms and conditions thereof as well as the Interest Annual Caps and the Financing Annual Caps) have been entered into in the ordinary and usual course of business of our Group and are on normal commercial terms which are fair and reasonable and in the interest of our Company and our Shareholders as a whole.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the Capitalisation Issue and the [REDACTED] (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 5.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Nature of Interest	Shares held as at the Latest Practicable Date		Shares held immediately prior to the Capitalisation Issue and the [REDACTED]		Shares held immediately following the completion of the Capitalisation Issue and the [REDACTED]	
		Number	Percentage (approx.)	Number	Percentage (approx.)	Number	Percentage (approx.)
Mr. Henry Cheung ⁽²⁾	Interest of a controlled corporation	70	70.0%	140	70.0%	[REDACTED] (L) ⁽¹⁾	[REDACTED]%
HCC ⁽²⁾	Beneficial owner	70	70.0%	140	70.0%	[REDACTED] (L) ⁽¹⁾	[REDACTED]%
Mr. Jonathan Cheung ⁽³⁾	Interest of a controlled corporation	30	30.0%	60	30.0%	[REDACTED] (L) ⁽¹⁾	[REDACTED]%
SCL ⁽³⁾	Beneficial owner	30	30.0%	60	30.0%	[REDACTED] (L) ⁽¹⁾	[REDACTED]%

Notes:

- (1) The letter "L" denotes the person's long position in our Shares.
- (2) HCC is beneficially and wholly-owned by Mr. Henry Cheung. By virtue of the SFO, Mr. Henry Cheung is deemed to be interested in our Shares held by HCC.
- (3) SCL is beneficially and wholly-owned by Mr. Jonathan Cheung. By virtue of the SFO, Mr. Jonathan Cheung is deemed to be interested in our Shares held by SCL.

Except as disclosed in this document, our Directors are not aware of any person who will, immediately prior to and following the completion of the Capitalisation Issue and the [REDACTED] (assuming no Shares are to be issued upon the exercise of any options which may be granted under the Share Option Scheme), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly interested in 5.0% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately before and following the completion of the [REDACTED] (without taking into account the exercise of the Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme) and the Capitalisation Issue:

	Nominal value <i>HK\$</i>
Authorised share capital:	
<u>50,000,000,000</u> Shares of HK\$[0.01] each	<u>500,000,000</u>
Issued and to be issued, fully paid or credited as fully paid:	
2,000 Shares in issue before the Capitalisation Issue	20
[REDACTED] Shares to be issued pursuant to the Capitalisation Issue	[REDACTED]
<u>[REDACTED]</u> Shares to be issued under the [REDACTED]	<u>[REDACTED]</u>
<u>[REDACTED]</u> Total	<u>[REDACTED]</u>

ASSUMPTIONS

The above table assumes that the [REDACTED] becomes unconditional and the issue of Shares pursuant to the [REDACTED] and Capitalisation Issue are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The [REDACTED] will be ordinary shares in the share capital of our Company and will rank *pari passu* in all respects with all Shares in issue or to be issued as mentioned in this document and, in particular, will rank in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this document save for the entitlement under the Capitalisation Issue.

SHARE CAPITAL

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25.0% of our issued share capital in the hands of the public (as defined in the GEM Listing Rules).

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total nominal value of not more than the sum of:

- (1) 20% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the [REDACTED] (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); and
- (2) the total nominal amount of share capital of our Company repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

Our Directors may, in addition to our Shares which they are authorised to issue under this general mandate, allot, issue or deal with Shares under a rights issue, scrip dividend scheme or similar arrangement, or on the exercise of any option which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or its Articles to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in a general meeting.

Further information on this general mandate is set out in the paragraph headed "Further information about our Group – Resolutions in writing of our Shareholders passed on [●]" in Appendix IV to this document.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total nominal amount of not more than 10.0% of the total nominal amount of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the [REDACTED] (excluding Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange or any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed "Further information about our Group – Repurchases of our Shares" in Appendix IV to this document.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiry of the period within which our Company is required by any applicable laws or the Articles to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in a general meeting.

Further information on this general mandate is set out in the paragraph headed "Further information about our Group – Resolutions in writing of our Shareholders passed on [●]" in Appendix IV to this document.

SHARE OPTION SCHEME

Pursuant to the resolutions in writing of our Shareholders passed on [●], we conditionally adopted the Share Option Scheme. Summaries of the principal terms of the Share Option Scheme are set out in the paragraph headed "Share Option Scheme" in Appendix IV to this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

SHARE CAPITAL

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolutions of shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Cayman Companies Law, reduce or redeem its share capital by its shareholders' special resolution. For more details, please refer to the paragraph headed "Articles of Association – Alteration of capital" in Appendix III to this document.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For more details, please refer to the paragraph headed "Articles of Association – Variation of rights of existing shares or classes of shares" in Appendix III to this document.

FINANCIAL INFORMATION

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.

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.

FINANCIAL INFORMATION

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.

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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.

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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
	<u>16,636</u>	<u>33,032</u>
Employee benefit expenses	(2,838)	(2,768)
Depreciation	(203)	(204)
Other operating expenses	(2,164)	(2,650)
Finance costs	(247)	–
Listing expenses	–	(1,672)
	<u>11,184</u>	<u>25,738</u>
Profit before income tax	11,184	25,738
Income tax expense	(1,779)	(4,521)
	<u>9,405</u>	<u>21,217</u>
Profit for the year attributable to owners of the Company	<u>9,405</u>	<u>21,217</u>

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.

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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	% of	2014	% of
	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>
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.

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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.

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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.

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Other income

	Year ended 31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Arrangement fee	150	–
Bank interest income	2	7
Sundry income	10	–
	162	7
	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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	2,838	2,768

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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	<u>5,452</u>	<u>5,622</u>
Employee benefit expenses	<u>2,838</u>	<u>2,768</u>
Adjusted employee benefit expenses percentage in relation to total operating expenses	<u>52.1%</u>	<u>49.2%</u>

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.

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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
	<u>2,164</u>	<u>2,650</u>

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.

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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)	<u>11,184</u>	<u>27,410</u>
Revenue	<u>16,474</u>	<u>33,025</u>
Adjusted profit margin (before income tax)	<u>67.9%</u>	<u>83.0%</u>

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.

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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

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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.

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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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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

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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.

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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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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
	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.

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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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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.

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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	–
	<u>60,944</u>	<u>90,441</u>

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.

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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
	<u>16,455</u>	<u>38,618</u>

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.

FINANCIAL INFORMATION

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.

FINANCIAL INFORMATION

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		
	2013	2014	Adjusted 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,

FINANCIAL INFORMATION

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.

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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.

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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 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the [REDACTED] <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets of the Group <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets per Share <i>HK\$</i> <i>(Note 3)</i>
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:

- 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.
- 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.

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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.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS AND BUSINESS OBJECTIVES

We intend to expand our business in line with the strategies set out in the paragraph headed "Business strategies" under the section headed "Business" of this document. In particular, we intend to use approximately HK\$[REDACTED] of the net proceeds to expand our securities-backed lending services, including our financing service to our customers who wish to purchase securities on a margin basis as well as our money lending service under our Money Lenders Licence.

The increase in funds available for financing would enable our Group to offer loans to more customers and/or greater margin limits to our existing customers (subject to the satisfaction of our credit assessment set out in the section headed "Business" of this document). For margin loans, this would not only enhance our interest income, but also our brokerage commission as customers are required to trade through their accounts with our Group when utilising the margin financing services.

USE OF PROCEEDS

Net proceeds

The net proceeds from the [REDACTED] are estimated to be approximately HK\$[REDACTED] million assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid price of the [REDACTED] range) and [REDACTED] being offered under the [REDACTED] and after deducting the underwriting commission and expenses relating to the [REDACTED].

We intend to use the net proceeds from the [REDACTED] for the following purposes:

- as to approximately [91.1]%, representing approximately HK\$[[REDACTED] million], will be used for the expansion of our securities-backed lending services;
- the remaining amount of approximately not more than [8.9]%, representing approximately HK\$[[REDACTED] million], will be used for our working capital and other general corporate purposes.

If the final [REDACTED] is set at the high end or the low end point of the indicative [REDACTED] range, the net proceeds of the [REDACTED] will increase or decrease by approximately HK\$[REDACTED] million, respectively.

Any sum raised above the mid-point [REDACTED] (but within the range) will be used for the expansion of our securities-backed lending service. If the sum raised is below the mid-point [REDACTED] (but within the range), we intend to deploy the lower amount of net proceeds for the above purposes in the same proportion. To the extent that the net proceeds of the [REDACTED] are not immediately applied for the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed financial institutions in Hong Kong.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Company will issue an announcement in accordance with the GEM Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

Commission and expenses

The Underwriters will receive an underwriting commission, being [REDACTED]% of the gross proceeds, out of which they will pay any sub-underwriting commission. The Sponsor will receive a sponsorship, financial advisory and documentation fee of HK\$[REDACTED] million in relation to the Listing and will be reimbursed for their expenses. Such commission, advisory and documentation fees and expenses, together with the GEM listing fees (as prescribed in the GEM Listing Rules), legal and other professional fees, and printing and other expenses relating to the [REDACTED] and Listing (as negotiated and agreed between each service provider and our Company on an arm's length basis), which are estimated to amount in aggregate to approximately HK\$[REDACTED] million and are to be borne by our Company.

Implementation plans

Set out below the expected timeline from the Latest Practicable Date to 31 December 2017 for our Group to deploy the abovementioned net proceeds to be raised from the [REDACTED], in accordance with the implementation of our future plans.

Expansion of our securities-backed lending business
HK\$ million

For the period from the Latest Practicable Date to 30 June 2015	[REDACTED]
For the period from 1 July 2015 to 31 December 2015	[REDACTED]
For the period from 1 January 2016 to 30 June 2016	[REDACTED]
For the period from 1 July 2016 to 31 December 2016	[REDACTED]
For the period from 1 January 2017 to 30 June 2017	[REDACTED]
For the period from 1 July 2017 to 31 December 2017	[REDACTED]

Basis and assumptions

The implementation plan formulated by our Directors is based on the following general assumptions:

- our Group will be able to renew/obtain all relevant licences required for our existing businesses activities;
- there will be no material change in the business development requirements during the period resulting from changes in the legal, fiscal or economic conditions in Hong Kong;
- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;

FUTURE PLANS AND USE OF PROCEEDS

- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group or cause substantial loss, damage or destruction to its properties or facilities;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- our Group is able to maintain its existing customers and expand its customer portfolio as planned;
- the [REDACTED] will be completed in accordance with the terms as described in the section headed "Structure and conditions of the [REDACTED]" of this document;
- there will be no material differences between the actual capital requirements for implementing the above plans and the amounts estimated by our Group;
- we will be able to retain our key staff in our management team as well as our professional staff;
- our Group will be able to recruit suitable staff for our expansion when and if necessary;
- we will not be materially affected by any risk factors set out in the section headed "Risk factors" in this document; and
- we continue our existing operations in substantially the same manner as they were carried out during the Track Record Period and we will also be able to carry out our development plans without material disruptions.

Reasons for the [REDACTED] and use of proceeds

The [REDACTED] will enhance our Group's capital base and provide our Group with additional working capital to implement the future plans set out in the section headed "Implementation plans" above.

UNDERWRITING

UNDERWRITERS

[REDACTED]

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company is offering the [REDACTED] for subscription by way of [REDACTED] to selected professional, institutional or other investors in Hong Kong at the [REDACTED] subject to the terms and conditions in the Underwriting Agreement and this document.

Subject to, among other conditions, the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this document and to certain other conditions set out in the Underwriting Agreement being fulfilled or waived on or before the dates and times specified in the Underwriting Agreement or such other dates as the Lead Manager (for itself and on behalf of the Underwriters) may agree, the Underwriters have agreed to subscribe for or purchase or procure subscribers or purchasers for the [REDACTED] on the terms and conditions of the Underwriting Agreement and this document.

GROUNDS FOR TERMINATION

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERWRITING

[REDACTED]

UNDERTAKINGS

[REDACTED]

UNDERWRITING

[REDACTED]

Undertaking by our Company

Our Company undertakes to and covenants with the Sponsor, the Lead Manager and the Underwriters and the Stock Exchange, and each of our Controlling Shareholders jointly and severally undertakes to and covenants with the Sponsor, the Lead Manager and the Underwriters to procure that, save pursuant to the [REDACTED] or pursuant to the approved Share Option Scheme, our Company shall not, within the period of six months from the Listing Date:

- (i) save as permitted under the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules) and the applicable laws, allot or issue or agree to allot or issue any Shares or any other securities in our Company (including warrants or other convertible securities (and whether or not of a class already listed)); or
- (ii) grant or agree to grant any options, warrants or other rights carrying any rights to subscribe for or otherwise convert into, or exchange for any Shares or any other securities of our Company; or
- (iii) purchase any securities of our Company; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so.

UNDERWRITING

COMMISSION AND EXPENSES

The Underwriters are expected to receive a commission of [REDACTED]% of the aggregate [REDACTED] of all the [REDACTED] according to the arrangements of the Underwriting Agreement, out of which they will pay any sub-underwriting commissions. The Sponsor will, in addition, receive a sponsorship, financial advisory and documentation fee to the [REDACTED]. The aggregate fees and commission, together with the Stock Exchange listing application fee, Stock Exchange trading fee and SFC transaction levy, legal and other professional fees, printing and other expenses relating to the [REDACTED], are currently estimated to be approximately HK\$[REDACTED] million in aggregate, which will be borne by our Company.

SPONSOR AND UNDERWRITERS' INTERESTS IN OUR COMPANY

The Sponsor satisfies the independence criteria applicable to sponsor as set out in Rule 6A.07 of the GEM Listing Rules.

Following the completion of the [REDACTED], the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreement.

Save as disclosed in this document and as contemplated pursuant to the Underwriting Agreement, none of the Sponsor, the Lead Manager and the Underwriters and any of their directors, employees or associates has any shareholding in any member of our Group nor has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any Shares.

STRUCTURE AND CONDITIONS OF THE PLACING

[REDACTED]

STRUCTURE AND CONDITIONS OF THE PLACING

[REDACTED]

STRUCTURE AND CONDITIONS OF THE PLACING

[REDACTED]

APPENDIX I

ACCOUNTANTS' REPORT

The following is the text of a report received from the Company's reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document, it is prepared and addressed to the Directors and to the Sponsor pursuant to the requirement of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



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[●] 2015

The Directors
Pinestone Capital Limited
Altus Capital Limited

Dear Sirs,

We set out below our report on the financial information of Pinestone Capital Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") which comprises the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the two years ended 31 December 2013 and 2014 (the "Relevant Periods") and the combined statements of financial position of the Group as at 31 December 2013 and 2014 together with a summary of significant accounting policies and other explanatory notes (the "Financial Information"), for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial listing (the "Listing") of the shares of the Company on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 14 January 2015. Pursuant to a group reorganisation (the "Reorganisation") as more fully explained in note 2 to the Financial Information, the Company has since [●] 2015 become the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation saved for the Reorganisation. The Group is principally engaged in provision of securities brokerage services, securities-backed lending services as well as placing and underwriting services. As of the date of this report, the particulars of the Company's subsidiaries are as follows:

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
Pinestone Securities Limited ("PSL")	Hong Kong/ 4 January 2010/ Limited liability company	Hong Kong	31 December 2013: HK\$60,000,000 31 December 2014: HK\$90,000,000	-	100%	Provision of securities brokerage services, placing and underwriting services as well as margin financing services

APPENDIX I

ACCOUNTANTS' REPORT

Name of subsidiary	Place and date of incorporation and type of legal entity	Place of operations	Issued and paid up capital	Effective interest held by the Company		Principal activities
				Directly	Indirectly	
Pinestone Capital Group Limited ("PCGL")	Hong Kong/ 30 August 2012/ Limited liability company	Hong Kong	31 December 2013: HK\$1 31 December 2014: HK\$1,000,000	–	100%	Provision of money lending services
Pinestone Investment Group Limited ("PIGL")	The British Virgin Island (the "BVI")/ 9 March 2012/ Limited liability company	Hong Kong	US\$1	100%	–	Investment holding
Pinestone International Limited ("PIL")	BVI/ 19 January 2015/ Limited liability company	Hong Kong	US\$1	100%	–	Investment holding

All of the above subsidiaries and the Company now comprising the Group have adopted 31 December as their financial year end date.

No audited financial statements have been prepared for the Company as it is newly incorporated and has not been involved in any significant business transactions except for the Reorganisation.

No audited financial statements have been prepared for PIGL and PIL since they are not subject to any statutory audit requirements under their jurisdiction of incorporation.

The statutory financial statements of PSL for the years ended 31 December 2013 and 2014 as well as the statutory financial statements of PCGL for the period from 30 August 2012 (date of incorporation) to 31 December 2013 and for the year ended 31 December 2014 were audited by BDO Limited, Certified Public Accountants. These statutory financial statements were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the "Underlying Financial Statements") in accordance with the basis of presentation set out in note 2 to the Financial Information below and the accounting policies set out in note 3 to the Financial Information below which conform with HKFRSs issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustment made thereon.

APPENDIX I**ACCOUNTANTS' REPORT**

RESPONSIBILITY

The directors of the Company are responsible for the contents of the document including the preparation and true and fair presentation of the Financial Information in accordance with the basis of presentation set out in note 2 to the Financial Information below and the accounting policies set out in note 3 to the Financial Information below and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules"), and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an independent opinion on the Financial Information based on our examination and to report our opinion to you.

BASIS OF OPINION

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Group and carried out appropriate procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. For the purpose of this report, no adjustment to the Financial Information is considered necessary.

OPINION

In our opinion, the Financial Information, for the purpose of this report, prepared on the basis set out in note 2 to the Financial Information below and in accordance with the accounting policies set out in note 3 to the Financial Information below, gives a true and fair view of the state of affairs of the Group as at 31 December 2013 and 2014 and of the results and cash flows of the Group for the Relevant Periods.

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ACCOUNTANTS' REPORT

I. FINANCIAL INFORMATION

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Notes</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Revenue	7	16,474	33,025
Other income	8	162	7
Employee benefit expenses	9	(2,838)	(2,768)
Depreciation		(203)	(204)
Other operating expenses		(2,164)	(4,322)
Finance costs	10	(247)	–
Profit before income tax	11	11,184	25,738
Income tax expense	12	(1,779)	(4,521)
Profit for the year		9,405	21,217
Other comprehensive income for the year		–	–
Total comprehensive income for the year		9,405	21,217
		<i>HK cents</i>	<i>HK cents</i>
Basic and diluted earnings per share	14	2.6	5.9

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ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>16</i>	517	315
Intangible asset	<i>17</i>	500	500
Statutory deposits placed with stock exchange and clearing house		<u>205</u>	<u>230</u>
		<u>1,222</u>	<u>1,045</u>
Current assets			
Trade receivables	<i>18</i>	82,774	101,938
Loans receivable	<i>19</i>	44,700	–
Other receivables, deposits and prepayments	<i>20</i>	425	861
Amounts due from related companies	<i>27(c)(ii)</i>	12	547
Tax recoverable		–	64
Trust bank balances held on behalf of customers	<i>21</i>	10,051	19,174
Cash and bank balances	<i>22</i>	<u>14,815</u>	<u>40,512</u>
		<u>152,777</u>	<u>163,096</u>
Current liabilities			
Trade payables	<i>23</i>	16,455	38,618
Other payables and accruals		189	767
Amounts due to related companies	<i>27(c)(iii)</i>	60,944	90,441
Amounts due to directors	<i>27(c)(iii)</i>	65,790	–
Tax payable		<u>1,779</u>	<u>3,256</u>
		<u>145,157</u>	<u>133,082</u>
Net current assets		<u>7,620</u>	<u>30,014</u>
Total assets less current liabilities/Net assets		<u><u>8,842</u></u>	<u><u>31,059</u></u>
Capital and reserves			
Share capital	<i>24</i>	–	1,000
Reserves		<u>8,842</u>	<u>30,059</u>
Total equity		<u><u>8,842</u></u>	<u><u>31,059</u></u>

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ACCOUNTANTS' REPORT

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	(Accumulated losses)/ Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2013	–	(563)	(563)
Profit for the year	–	9,405	9,405
Other comprehensive income for the year	–	–	–
Total comprehensive income for the year	–	9,405	9,405
At 31 December 2013 and 1 January 2014	–	8,842	8,842
Profit for the year	–	21,217	21,217
Other comprehensive income for the year	–	–	–
Total comprehensive income for the year	–	21,217	21,217
Transaction with owners: Issue of shares (<i>note 24</i>)	1,000	–	1,000
At 31 December 2014	1,000	30,059	31,059

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COMBINED STATEMENTS OF CASH FLOWS

	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Operating activities		
Profit before income tax	11,184	25,738
Adjustments for:		
Depreciation on property, plant and equipment	203	204
Bank interest income	(2)	(7)
	<u>11,385</u>	<u>25,935</u>
Operating profit before working capital changes	11,385	25,935
Increase in statutory deposits placed with stock exchange and clearing house	–	(25)
Increase in trade receivables	(82,774)	(19,164)
(Increase)/Decrease in loans receivable	(44,700)	44,700
Decrease in other receivables, deposits and prepayments	11	15
Increase in amounts due from related companies	(12)	(535)
Increase in trust bank balances held on behalf of customers	(10,051)	(9,123)
Increase in trade payables	16,455	22,163
Increase in other payables and accruals	83	127
Decrease in amounts due to related companies	(402)	(17)
Decrease in amounts due to directors	(25)	(6)
	<u>(110,030)</u>	<u>64,070</u>
Net cash (used in)/generated from operations	(110,030)	64,070
Income tax paid	–	(3,108)
	<u>(110,030)</u>	<u>60,962</u>
Net cash (used in)/from operating activities	(110,030)	60,962
Investing activities		
Purchase of property, plant and equipment	(36)	(2)
Bank interest income	2	7
	<u>(34)</u>	<u>5</u>
Net cash (used in)/generated from investing activities	(34)	5
Financing activities		
Advances from related companies	73,200	8,024
Repayment to related companies	(11,854)	(10,706)
Advances from directors	69,800	47,500
Repayment to directors	(18,000)	(80,088)
	<u>113,146</u>	<u>(35,270)</u>
Net cash generated from/(used in) financing activities	113,146	(35,270)
Net increase in cash and cash equivalent	3,082	25,697
Cash and cash equivalents at beginning of year	11,733	14,815
	<u>14,815</u>	<u>40,512</u>
Cash and cash equivalents at end of year	14,815	40,512
Analysis of the balances of cash and cash equivalents		
– Cash at banks and in hand	<u>14,815</u>	<u>40,512</u>

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ACCOUNTANTS' REPORT

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 14 January 2015. The address of its registered office is PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. Its principal place of business is located at Unit 1506, 15th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong.

The Group is principally engaged in provision of securities brokerage services, securities-backed lending services as well as placing and underwriting services.

2. REORGANISATION AND BASIS OF PRESENTATION

Prior to the Reorganisation, all the entities which took part in the Reorganisation (except for PIL which was set up by the Company as mentioned below) were directly or indirectly wholly-owned by Pinestone Group Limited ("PGL"). PGL is a limited liability company incorporated in the BVI on 4 July 2011 and the issued share capital of PGL was held by Mr. Henry Cheung and his son, Mr. Jonathan Cheung.

Pursuant to the Reorganisation conducted by the companies now comprising the Group to prepare for the Listing, the Company has since [●] 2015 become the holding company of its subsidiaries now comprising the Group. Part of the steps under the Reorganisation is described below:

- (1) The Company was incorporated in the Cayman Islands on 14 January 2015. The initial authorised share capital of the Company was HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.10 each. On 14 January 2015, (i) the fully-paid subscriber share was transferred to HCC & CO Limited ("HCC & CO"); (ii) 30 shares were allotted and issued at par to Snail Capital Limited ("Snail Capital"); and (iii) 69 shares were allotted and issued at par to HCC & Co. Upon completion of the above transfer and allotments, the issued share capital of the Company was held as to 30% by Snail Capital and 70% by HCC & Co. Snail Capital and HCC & Co are companies incorporated in the BVI and wholly-owned by Mr. Jonathan Cheung and Mr. Henry Cheung, respectively.
- (2) On 19 January 2015, PIL was incorporated in the BVI to act as an intermediary holding company to hold the issued share capital of PCGL. The authorised share capital of PIL was US\$50,000 divided into 50,000 shares of US\$1 each. On 19 January 2015, 1 share was allotted and issued at par to the Company. PIL then becomes a wholly-owned subsidiary of the Company.
- (3) On [●] 2015, PIL acquired 100% interest in PCGL from PGL, at a consideration of HK\$[9,354,759], which was determined with reference to the net asset value of PCGL as at 31 December 2014. The consideration for acquisition was satisfied by the creation of a non-interest bearing loan in the amount of HK\$[9,354,759] owing by PIL to PGL ("PIL Loan") as evidenced by a promissory note dated [●] issued by PIL to PGL. Upon completion of the acquisition, PCGL becomes a wholly-owned subsidiary of PIL.

On [●], by a deed of assignment, PGL assigned all its rights and interests in the PIL Loan to Snail Capital.

On [●], by a deed of novation, the Company assumed all the liabilities of PIL under the PIL Loan, such that the PIL Loan was owed by the Company to Snail Capital.

On [●], the PIL Loan was settled by the Company by allotment and issue of 30 new shares of HK\$0.10 each, credited as fully paid, to Snail Capital.

- (4) On [●] 2015, the Company acquired 100% interest in PIGL from PGL, at a consideration of HK\$[121,148,150], which was determined with reference to (i) the net asset value of PIGL and PSL as at 31 December 2014, and (ii) the outstanding non-interest bearing amount due by PIGL to PGL as at 31 January 2015 of HK\$99,441,091. The consideration for acquisition was satisfied by the creation of a non-interest bearing loan in the amount of HK\$[121,148,150] owing by the Company to PGL ("PIGL Loan") as evidenced by a promissory note dated [●] issued by the Company to PGL. Upon completion of the acquisition, PIGL becomes a wholly-owned subsidiary of the Company.

On [●], by a deed of assignment, PGL assigned all its rights and interests in the PIGL Loan to HCC & Co.

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On [●], the PIGL Loan was settled by the Company by allotment and issue of 70 new shares of HK\$0.10 each, credited as fully paid, to HCC & CO.

After the completion of the aforementioned steps of Reorganisation, the issued share capital of the Company were held as to 30% by Snail Capital and 70% by HCC & Co.

The Group is regarded as a continuing entity since all entities which took part in the Reorganisation were controlled by the same ultimate controlling parties, Mr. Henry Cheung and Mr. Jonathan Cheung before and immediately after the Reorganisation. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the ultimate controlling parties that existed prior to the Reorganisation. The Reorganisation has been accounted for in accordance with Hong Kong Accounting Guideline 5 *Merger Accounting for Common Control Business Combinations*. The Financial Information has been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the Relevant Periods.

The combined statements of comprehensive income and combined statements of cash flows of the Group for the Relevant Periods include the results and cash flows of the companies now comprising the Group as if the current structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation, whichever was shorter. The combined statements of financial position of the Group as at 31 December 2013 and 2014 have been prepared to present the state of affairs of the Group as if the current group structure had been in existence as at the respective dates.

The assets and liabilities of the companies now comprising the Group are combined using the existing book values from the controlling parties' perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of combination.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The Financial Information has been prepared in accordance with the basis of presentation set out in note 2 and the accounting policies set out below, which conform to HKFRSs (which collective term includes Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) issued by the HKICPA. The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The HKICPA has issued a number of new or revised HKFRSs which are relevant the Group and became effective during the Relevant Periods. In preparing this Financial Information, the Group has adopted all these new or revised HKFRSs consistently throughout the Relevant Periods.

At the date of this report, HKICPA has issued certain new or amended HKFRSs that have been issued but are not yet effective and have not been adopted early by the Group. Details of which are set out in note 4.

The Financial Information have been prepared under the historical cost basis.

The Financial Information are presented in Hong Kong dollars ("HK\$"), which is same as the functional currency of the Company and its major subsidiaries.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately different from those estimates. The areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in note 5.

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(b) Basis of combination

The Financial Information incorporates the financial statements of the Company and its subsidiaries comprising the Group for the Relevant Periods. As explained in note 2 above, the Reorganisation is accounted for using merger basis of accounting.

Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the combined financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(c) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

(d) 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 (note 3(m)).

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.

(e) Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessee under operating lease

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

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(f) 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 losses (note 3(m)). 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 (note 3(m)).

(g) Financial instruments

(i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset is acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus direct transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers and also incorporated other types of contractual and monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

An impairment loss on loan and receivables is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of loans and receivables is reduced through the use of an allowance account. When any part of loans and receivables is determined as uncollectible, it is written off against the allowance account for the relevant asset.

Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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(iii) *Financial liabilities*

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade payables, accrued expenses and other payables, amounts due to related companies and directors and dividends payable are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

(h) **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) Handling fee income is recognised when the relevant transactions have been arranged or the relevant services have been rendered.
- (iii) Income from placing and underwriting services is recognised when the services are provided.
- (iv) Interest income is accrued on a time basis on the principal outstanding at the applicable interest rate.

(i) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

(j) **Income taxes**

Income taxes comprise current tax and deferred tax.

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Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(k) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short-term employee benefits are recognised in the year when the employees render the related service.

(ii) Defined contribution retirement plan

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) Termination benefits

Termination benefits are recognised on the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

(m) Impairment of non-financial assets

Intangible assets having indefinite useful lives are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets including property, plant and equipment are tested for impairment whenever there are indications that the assets' carrying amounts may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

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An impairment loss is reversed if there has been a favourable change in the estimates used to determine the assets' recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of such impairment is credited to profit or loss in the period in which it arises.

(n) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which it is probably will result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components.

(p) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

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4. NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

The following new and revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group in the preparation of the Financial Information.

HKFRSs (Amendments)	Annual Improvements 2010 – 2012 Cycle ²
HKFRSs (Amendments)	Annual Improvements 2011 – 2013 Cycle ¹
HKFRSs (Amendments)	Annual Improvements 2012 – 2014 Cycle ³
HKFRS 9 (2014)	Financial Instruments ⁵
HKFRS 15	Revenue from Contracts with Customers ⁴

- ¹ Effective for annual periods beginning on or after 1 July 2014
- ² Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014
- ³ Effective for annual periods beginning on or after 1 January 2016
- ⁴ Effective for annual periods beginning on or after 1 January 2017
- ⁵ Effective for annual periods beginning on or after 1 January 2018

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement.

HKFRS 9 (2014) – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at fair value through profit or loss replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts and related interpretations*.

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HKFRS 15 requires the application of a 5 steps approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company are currently assessing the possible impact on the new or amended standards on the Group's results and financial position in the first year of application.

5. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

(i) Useful lives of property, plant and equipment

Management determines the estimated useful lives, and related depreciation charges for the Group's property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of those assets of similar nature and functions. Management will increase the depreciation where useful lives are less than previously estimated lives. Management will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore affect the depreciation charges in future periods.

(ii) Impairment of non-financial assets

Management assesses impairment by evaluating conditions specific to the Group that may lead to impairment of non-financial assets. When an impairment trigger exists, the recoverable amount of the asset is determined. Value in use calculations performed in assessing recoverable amounts incorporate a number of key estimates and assumptions about future events, which are subject to uncertainty and might materially differ from the actual results. In making these key estimates and judgements, the directors take into consideration assumptions that are mainly based on market conditions existing at the reporting date and appropriate market and discount rates. These estimates are regularly compared to actual market data and actual transactions entered into by the Group. Significant estimates and assumptions used by the directors for the impairment assessment of intangible assets are disclosed in note 17.

(iii) Impairment of receivables

The Group determines impairment losses for bad and doubtful debts resulting from the inability of the customers/debtors to make the required payments. A considerable amount of estimate and judgement is required in assessing the ultimate realisation of these receivables which is based on the ageing of the receivables, credit-worthiness of the customers and debtors and historical write-off experience. If the financial conditions of customers and debtors deteriorate, additional allowance for bad and doubtful debts may be required.

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6. SEGMENT INFORMATION

(a) Operating segment information

During the Relevant Periods, the information reported to the executive directors, who are the chief operating decision makers for the purpose of resource allocation and assessment of performance, is the financial information of the Group as a whole as reported under HKFRSs. Such information does not contain profit or loss information of particular product or service line or geographical area. Therefore, the executive directors have determined that the Group has only one single reportable segment which is provision of securities brokerage services, securities-backed lending services as well as placing and underwriting services. The executive directors allocate resources and assess performance on an aggregated basis.

(b) Geographical segment information

The Company is an investment holding company and the principal place of the Group's operations is in Hong Kong. Accordingly, management determines that the Group is domiciled in Hong Kong.

All of the revenue from external customers and non-current assets of the Group are derived from activities or located in Hong Kong. Accordingly, no geographical information is presented.

(c) Information about major customers

Revenue from major customers, each of them accounted for 10% or more of the Group's revenue, are set out below:

	2013 HK\$'000	2014 HK\$'000
Customer I	4,577	3,847
Customer II	2,582	N/A
Customer III	2,464	N/A
Customer IV	1,831	3,879
Customer V	N/A	4,246
	<u> </u>	<u> </u>

7. REVENUE

The Group is principally engaged in provision of securities brokerage services, securities-backed lending services as well as placing and underwriting services. Revenue, which is also the Group's turnover, represents the followings:

	2013 HK\$'000	2014 HK\$'000
Commission income from securities brokerage services	2,153	8,610
Interest income from securities-backed lending services	13,936	18,839
Handling fee	108	236
Income from placing and underwriting services	265	5,335
Others	12	5
	<u> </u>	<u> </u>
	<u>16,474</u>	<u>33,025</u>

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8. OTHER INCOME

	2013 HK\$'000	2014 HK\$'000
Arrangement fee	150	–
Bank interest income	2	7
Exchange gain	10	–
	<u>162</u>	<u>7</u>

9. EMPLOYEE BENEFIT EXPENSES

	2013 HK\$'000	2014 HK\$'000
Staff costs (including directors' emoluments (<i>note 15(a)</i>) comprise:		
Salaries, allowances and benefits	2,739	2,658
Contributions to defined contribution retirement plan	99	110
	<u>2,838</u>	<u>2,768</u>

10. FINANCE COSTS

	2013 HK\$'000	2014 HK\$'000
Interest on borrowings wholly repayable within five years	247	–

Note: Finance costs for the year ended 31 December 2013 represented interest expense incurred on borrowings from a financial institution with principal of HK\$30,000,000. The borrowings were fully settled during the year ended 31 December 2013 and no facility has been drawn down by the Group as at 31 December 2013. This facility was terminated during the year ended 31 December 2014,

11. PROFIT BEFORE INCOME TAX

Profit before income tax expense is arrived at after charging:

	2013 HK\$'000	2014 HK\$'000
Auditor's remuneration	76	183
Listing expenses	–	1,672
Operating lease charges in respect of building	1,182	1,189

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12. INCOME TAX EXPENSE

The amount of income tax in the combined statements of comprehensive income represents:

	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax – Hong Kong Profits Tax		
– tax for the year	1,779	4,578
– over-provision in respect of prior years	–	(57)
	<u>1,779</u>	<u>(57)</u>
	<u><u>1,779</u></u>	<u><u>4,521</u></u>

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the Relevant Periods. Overseas tax is calculated at the rates applicable in the respective jurisdictions.

The income tax expense for the Relevant Periods can be reconciled to the profit before income tax per the combined statement of comprehensive income as follows:

	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before income tax expense	<u>11,184</u>	<u>25,738</u>
Tax calculated at applicable tax rates	1,845	4,247
Tax effect of revenue not taxable for tax purposes	–	(1)
Tax effect of expenses not deductible for tax purposes	–	303
Utilisation of tax losses previously not recognised	(94)	–
Tax effect of other temporary differences not recognised	28	29
Over-provision in respect of prior years	–	(57)
	<u>1,779</u>	<u>4,521</u>
Income tax expense	<u><u>1,779</u></u>	<u><u>4,521</u></u>

No deferred tax has been provided in the Financial Information as there were no material temporary differences as at 31 December 2013 and 2014.

13. DIVIDENDS

	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Proposed final dividend	<u>–</u>	<u>[30,000]</u>

[For the purpose of this report, the proposed final dividend for the year ended 31 December 2014 represented final dividend proposed by the Company on [●] of totalling HK\$[30,000,000]. The dividend was approved by the shareholders on [●] and was settled on [●] by cash.]

The final dividend proposed subsequent to 31 December 2014 has not been recognised as a liability as at 31 December 2014 in the Financial Information.

The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful having regard to the purpose of this Financial Information.

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14. EARNINGS PER SHARE

The calculations of earnings per share for the Relevant Periods are based on the profit for the years ended 31 December 2013 and 2014 of HK\$9,405,000 and HK\$21,217,000 respectively, and on the basis of 360,000,000 shares of the Company in issue, being the number of shares in issue immediately after the completion of Capitalisation Issue as further described in note 31(a), as if these shares had been issued throughout the Relevant Periods.

Diluted earnings per share are same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the Relevant Periods.

15. DIRECTORS' EMOLUMENTS AND HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

No emoluments were paid or payable to the executive directors and independent non-executive directors during the Relevant Periods.

(b) Five highest paid individuals

Of the five individuals whose emoluments were the highest in the Group during each of the Relevant Periods, none was a director of the Company. The emoluments payable to the five highest paid individuals are as follows:

	2013 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Wages and salaries	1,973	1,861
Contribution to defined contribution retirement plans	70	73
	<u>2,043</u>	<u>1,934</u>

The emoluments of each of the above non-director highest paid individuals during the Relevant Periods were all within the band of nil to HK\$1,000,000.

(c) During the Relevant Periods, no emoluments were paid by the Group to the directors or highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors waived or agreed to waive any emoluments during the Relevant Periods.

(d) Senior management's emoluments

Emoluments paid or payable to members of senior management who are not directors were within the following band:

	2013 <i>No. of individuals</i>	2014 <i>No. of individuals</i>
Nil to HK\$1,000,000	<u>5</u>	<u>5</u>

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16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and equipment <i>HK\$'000</i>	Computer system and software <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost				
At 1 January 2012	–	–	–	–
Additions	400	127	188	715
At 31 December 2012 and 1 January 2013	400	127	188	715
Additions	2	6	28	36
At 31 December 2013 and 1 January 2014	402	133	216	751
Additions	–	2	–	2
At 31 December 2014	402	135	216	753
Accumulated depreciation				
At 1 January 2012	–	–	–	–
Charge for the year	22	4	5	31
At 31 December 2012 and 1 January 2013	22	4	5	31
Charge for the year	135	26	42	203
At 31 December 2013 and 1 January 2014	157	30	47	234
Charge for the year	134	27	43	204
At 31 December 2014	291	57	90	438
Net carrying amount				
At 31 December 2012	378	123	183	684
At 31 December 2013	245	103	169	517
At 31 December 2014	111	78	126	315

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17. INTANGIBLE ASSET

	Trading right <i>HK\$'000</i>
Cost	
At 1 January 2012	–
Additions	500
	<hr/>
At 31 December 2012, 31 December 2013 and 31 December 2014	500
	<hr/>
Accumulated impairment loss	
At 1 January 2012	–
Impairment loss recognised	–
	<hr/>
At 31 December 2012 and 1 January 2013	–
Impairment loss recognised	–
	<hr/>
At 31 December 2013 and 1 January 2014	–
Impairment loss recognised	–
	<hr/>
At 31 December 2014	–
	<hr/>
Net carrying amount	
At 31 December 2012	500
	<hr/> <hr/>
At 31 December 2013	500
	<hr/> <hr/>
At 31 December 2014	500
	<hr/> <hr/>

Trading right confers right to the Group to trade securities contract on or through the Stock Exchange such that the Group can conduct the business of securities brokerage.

Trading right considered by the directors of the Company as having indefinite useful lives because there is no foreseeable limit on the period over which the trading right is expected to generate cash flows to the Group. Trading right is not amortised until its useful life is determined to be finite. Instead, it is tested for impairment annually and whenever there is an indication that it may be impaired.

Trading right is tested for impairment by the directors by estimating its recoverable amount based on value-in-use calculation. For such purposes, trading right is allocated to the businesses of securities brokerage, placing and underwriting services and margin financing as one cash generating unit ("CGU"). The value-in-use of the CGU is determined using cash flow projection which is based on the financial budget approved by the management covering a period of 3 and 2 years for the years ended 31 December 2013 and 2014, respectively.

The key assumptions used in the budget plans are:

- (a) For the year ended 31 December 2013, revenue is projected to be stable throughout the budget period.

For the year ended 31 December 2014, revenue from providing margin financing services is projected based on the expected credit facilities available to customers during the budget period which are subject to fulfilment of regulatory requirements and the expected liquidity position of the Group. Commission income from securities brokerage is derived from customers' trading activities which in turn is influenced by the amount of credit facilities available to margin financing clients. Income from providing placing and underwriting services is budgeted based on the number of placement and underwriting assignments expected to be secured in the budget period.

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- (b) Operating expenses will grow in line with the general inflation in Hong Kong throughout the budget periods.
- (c) Zero growth rate is used to extrapolate cash flow projection beyond the period covered by the recent financial budgets.
- (d) The discount rate applied to the cash flow projections is 10% and 10% for the year ended 31 December 2013 and 2014, respectively. The discount rates used are pre-tax and reflect specific risks relating to the relevant businesses.

The key assumptions adopted by the management have been determined based on past performance and management's expectation on market development. Based on the result of the above impairment testing, the directors determined that there is no impairment in respect of the trading right as at 31 December 2013 and 2014.

18. TRADE RECEIVABLES

	2013 HK\$'000	2014 HK\$'000
Trade receivables arising from securities dealing and margin financing		
– Cash clients	–	49
– Margin clients	73,647	101,889
– Clearing house	6,960	–
	80,607	101,938
Trade receivables arising from money lending		
– Interest receivables	2,167	–
	82,774	101,938

Notes:

- (a) The settlement terms of trade receivables arising from the business of securities dealing are two days after trade date.
- (b) Trade receivables balance from cash clients as at 31 December 2014 are past due within 30 days.
- (c) No ageing analysis is disclosed for trade receivables from margin clients as, in the opinion of the directors, an aging analysis is not meaningful in view of the business nature of securities dealing and margin financing. Margin loans due from margin clients are current and repayable on demand for those margin clients subject to margin calls. Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. As at 31 December 2013 and 2014, the total market value of securities pledged as collateral in respect of the receivables balance from margin clients are approximately HK\$809,000,000 and HK\$258,000,000, respectively. Margin loans as at 31 December 2013 and 2014 are interest bearing at a fixed rate of 12.5% per annum and 12.5% to 20% per annum, respectively. The Group is allowed to repledge the collateral from margin clients. There was no repledge of the collateral from margin clients as at 31 December 2013 and 2014.
- (d) Trade receivables from clearing house, i.e. Hong Kong Securities Clearing Company Limited, is current which represents pending trades arising from the business of dealing in securities, which are normally due within two days after trade date in accordance with the requirements of Hong Kong Exchange and Clearing Limited.
- (e) As at 31 December 2013, interest receivables arising from money lending business amounting to HK\$1,580,000 were neither past due nor impaired and the remaining balance of HK\$587,000 were due for payment on 31 December 2013. These interest receivables were fully settled during the year ended 31 December 2014.

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As at 31 December 2014, there were no outstanding interest receivables.

- (f) The Group has policy for impairment allowance which is based on the evaluation of collectability of accounts and on management's judgement, including the current creditworthiness and the past collection history of each client or receivable. As assessed by the directors, no impairment allowance is necessary in respect of trade receivables at 31 December 2013 and 2014.

19. LOANS RECEIVABLE

	2013 HK\$'000	2014 HK\$'000
Loans receivable from money lending		
– secured loans receivable (note (a))	26,700	–
– unsecured loans receivable (note (b))	18,000	–
	<u>44,700</u>	<u>–</u>

Notes:

- (a) The loans are secured by listed equity securities and interest-bearing at fixed interest rate of 24% to 36% per annum.
- (b) The loan is interest-bearing at 36% per annum and is guaranteed in full amount by an independent third party. In addition, the loan agreement signed with the borrower, which is also a margin client of the Group's securities dealing business, has imposed restriction to the borrower on withdrawing or transferring assets under the margin account set up with the Group.
- (c) Loans receivable at 31 December 2013 were neither past due nor impaired. Management believes that no impairment allowance is necessary having considered the value of collaterals and other credit enhancement obtained.

As at 31 December 2014, the Group does not have any outstanding loan receivable.

20. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2013 HK\$'000	2014 HK\$'000
Other receivables	12	–
Deposits	394	394
Prepayments	19	467
	<u>425</u>	<u>861</u>

21. TRUST BANK BALANCES HELD ON BEHALF OF CUSTOMERS

In respect of the Group's business of dealing in securities, the Group maintains segregated trust accounts with authorised institutions to hold clients' monies. The Group classifies clients' monies separately under current assets in the combined statements of financial position and has recognised the corresponding trade payables to respective clients (note 23) on the grounds that it is liable for any loss or misappropriation of clients' monies and does not have a currently enforceable right to offset those payables with the deposits placed.

22. CASH AND BANK BALANCES

Cash at banks earns interest at floating rate based on daily bank deposit rates.

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23. TRADE PAYABLES

	2013 HK\$'000	2014 HK\$'000
Trade payables arising from securities dealing:		
– Cash clients	5,084	1,538
– Margin clients	11,371	18,209
– Clearing house	–	18,871
	<u>16,455</u>	<u>38,618</u>

The settlement terms of trade payables arising from the business of dealing in securities are two days after the trade date. The trade payables to certain margin and cash clients arising from the business of dealing in securities are repayable on demand subsequent to settlement date.

Included in trade payables as at 31 December 2013 and 2014 were payables to clients of approximately HK\$10,051,000 and HK\$19,174,000, respectively in respect of trust and segregated bank balances received and held for the clients in the course of the conduct of regulated activities.

Included in trade payables as at 31 December 2013 and 2014 were balances payable to Ms. Rowena Chick of HK\$383,000 and HK\$83,000 respectively. Ms. Rowena Chick is a related party as set out in note 27(a)(ii).

Margin and cash client payables as at 31 December 2013 and 2014 included balances payable to Mr. Henry Cheung and Mr. Jonathan Cheung, directors of the Company and a related company. Further details of these balances are set out in note 27(c)(i).

24. SHARE CAPITAL

The Company was incorporated on 14 January 2015 with authorised share capital of HK\$380,000 divided into 3,800,000 ordinary shares of HK\$0.1 each. On the same date, 100 shares in aggregate were transferred/allocated and issued at par to Mr. Henry Cheung and Mr. Jonathan Cheung. On [●], upon completion of the acquisition of PCGL by PIL and the acquisition of PIGL by the Company, 100 new shares in aggregate were allocated and issued at par to Mr. Henry Cheung and Mr. Jonathan Cheung by the Company. On [●] 2015, the Company sub-divided all its issued and unissued shares with par value of HK\$0.10 each into 10 shares of HK\$0.01 each. On the same date, the Company increased its authorised share capital from HK\$380,000 to HK\$500,000,000 divided into 50,000,000,000 shares of HK\$0.01 each by the creation of an additional 49,962,000,000 shares.

For the purpose of this report, the share capital balances in the combined statements of financial position as at 31 December 2013 and 2014 represented the issued share capital of PIGL and PCGL as at that dates.

On 9 June 2014, the issued share capital of PCGL has been increased from HK\$1 to HK\$1,000,000 by the allotment of additional 999,999 ordinary shares of HK\$1 each. The additional ordinary shares were issued to PGL and were settled through the current account with a director.

25. OPERATING LEASE COMMITMENTS

Operating leases – The Group as lessee

The Group leases an office under operating lease arrangement. The lease runs for an initial period of three years and is non-cancellable. The total future minimum lease payments under the lease are due as follows:

	2013 HK\$'000	2014 HK\$'000
Within one year	1,500	1,162
Later than one year and not more than five years	<u>1,162</u>	<u>–</u>
	<u>2,662</u>	<u>1,162</u>

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26. NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

- (a) During the year ended 31 December 2014, the issued share capital of PCGL has been increased from HK\$1 to HK\$1,000,000 by the allotment of 999,999 shares of HK\$1 each to PGL and the consideration was settled through the current account with a director (note 24).
- (b) During the year ended 31 December 2014, amounts due to directors amounting to HK\$32,196,000 were transferred and settled through the current account with a related company.

27. RELATED PARTY TRANSACTIONS

Saved as disclosed elsewhere in this Financial Information, the Group has the following significant transactions with related parties.

- (a) During the Relevant Periods, the Group entered into the following transactions with related parties:

Name	Related party relationship	Type of transaction	Transaction amount	
			2013 HK\$'000	2014 HK\$'000
Mr. Henry Cheung	Director	Brokerage income and interest income from margin financing	80	59
Mr. Jonathan Cheung	Director	Brokerage income	32	38
Ms. Rowena Chick	Close family member of key management (note (ii))	Brokerage income	224	304
Blackbox Capital Limited	Related company (note (i))	Brokerage income	24	–
Grit Capital Limited	Related company (note (i))	Share of rental and staff costs (note (iii))	389	–
Gryphuz Advisory Limited (formerly known as Pinestone Advisory Limited)	Related company (note (i))	Share of rental and staff costs (note (iii))	–	547

Notes:

- (i) Blackbox Capital Limited, Grit Capital Limited and Gryphuz Advisory Limited are wholly-owned subsidiaries of PGL. Mr. Henry Cheung and Mr. Jonathan Cheung are directors of PGL and have equity interests in PGL.
- (ii) Ms. Rowena Chick is the spouse of Mr. Wong Chi Kan, a member of the key management of the Group.
- (iii) Certain portion of the office premises of the Group were occupied by the related companies and thus the related companies shared the office rental expense with the Group. In addition, certain employees of the Group rendered services to the related companies and thus, the related company shared the employee benefit expenses with the Group. The aggregate amount of office rental expenses and employee benefit expenses shared by the related companies for the years ended 31 December 2013 and 2014 were HK\$389,000 and HK\$547,000, respectively.
- (b) As at 31 December 2014, Mr. Henry Cheung and Mr. Jonathan Cheung, directors of the Company provide personal guarantee to secure for the banking facilities granted to the Group amounting to HK\$22,000,000. [The personal guarantee provided by Mr. Henry Cheung and Mr. Jonathan Cheung will be fully released, discharged or replaced by corporate guarantee or other securities provided by the Group upon the Listing.]

As at 31 December 2014, the Group has not drawn down any amount under the aforementioned facility.

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- (c) As at 31 December 2013 and 2014, the Group has the following balances with related companies and directors:

- (i) Balances arising from securities dealing transactions included in trade payables (note 23).

	As at 1 January 2013 <i>HK\$'000</i>	Maximum outstanding during the year [^] <i>HK\$'000</i>	As at 31 December 2013 <i>HK\$'000</i>	Securities held
Mr. Henry Cheung*	–	693	470	Marketable securities
Mr. Jonathan Cheung*	–	2,405	307	Marketable securities
Blackbox Capital Limited**	–	1,539	36	Marketable securities
	<u> </u>	<u> </u>	<u> </u>	

	As at 1 January 2014 <i>HK\$'000</i>	Maximum outstanding during the year [^] <i>HK\$'000</i>	As at 31 December 2014 <i>HK\$'000</i>	Securities held
Mr. Henry Cheung*	470	420	5,554	Marketable securities
Mr. Jonathan Cheung*	307	650	1,904	Marketable securities
Blackbox Capital Limited**	36	–	–	N/A
	<u> </u>	<u> </u>	<u> </u>	

[^] these amounts represented the maximum amounts due from the directors and the related company during the respective years

- (ii) Amounts due from related companies

	As at 1 January 2013 <i>HK\$'000</i>	Maximum amount outstanding during the year [#] <i>HK\$'000</i>	As at 31 December 2013 <i>HK\$'000</i>
Blackbox Capital Limited**	–	6	6
Gryphuz Advisory Limited**	–	6	6
	<u> </u>	<u> </u>	<u> </u>
	–		12

	As at 1 January 2014 <i>HK\$'000</i>	Maximum amount outstanding during the year [#] <i>HK\$'000</i>	As at 31 December 2014 <i>HK\$'000</i>
Blackbox Capital Limited**	6	10	–
Gryphuz Advisory Limited**	6	547	547
	<u> </u>	<u> </u>	<u> </u>
	12		547

[#] these amounts represented the maximum amounts due from the related companies during the respective years

The amounts due are unsecured, interest-free and repayable on demand.

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(iii) Amounts due to related companies and directors

The amounts due are unsecured, interest-free and repayable on demand.

Notes:

* Mr. Henry Cheung and Mr. Jonathan Cheung are directors of the Company and have equity interests in the Company.

** Blackbox Capital Limited and Gryphuz Advisory Limited are wholly-owned subsidiaries of PGL. Mr. Henry Cheung and Mr. Jonathan Cheung are directors of PGL and have equity interests in PGL.

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the Relevant Periods was as follows:

	2013 HK\$'000	2014 HK\$'000
Salaries, allowances and benefits	1,973	1,861
Contributions to defined contribution retirement plan	70	73
	<u>2,043</u>	<u>1,934</u>

28. CAPITAL MANAGEMENT

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Group's stability and growth.

The directors of the Company actively and regularly reviews and manages the Group's capital structure, taking into consideration the future capital requirements of the Group, to ensure optimal shareholders' returns.

For capital management purpose, the directors of the Company regard total equity presented on the combined statements of financial position as capital.

A subsidiary of the Company is regulated by the Securities and Futures Commission ("SFC") and required to maintain minimum liquid capital and paid up capital according to the Securities and Futures Ordinance. Management monitors this subsidiary's liquid capital and paid up capital to ensure they meet the minimum requirement in accordance with the Securities and Futures (Financial Resources) Rules. Other than this, the Company and other subsidiaries are not subject to externally imposed capital requirements.

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ACCOUNTANTS' REPORT

29. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The following table shows the carrying amount of financial assets and liabilities:

	2013 HK\$'000	2014 HK\$'000
Financial assets		
<i>Loans and receivables</i>		
– Trade receivables	82,774	101,938
– Loans receivable	44,700	–
– Other receivables and deposits	406	394
– Amounts due from related companies	12	547
– Trust bank balances held on behalf of customers	10,051	19,174
– Cash and bank balances	14,815	40,512
	152,758	162,565
	152,758	162,565
Financial liabilities		
<i>Financial liabilities at amortised costs</i>		
– 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	–
	143,378	129,826
	143,378	129,826

(a) Financial instruments not measured at fair value

Financial instruments not measured at fair value include trade receivables, loans receivable, other receivables and deposits, trust bank balances held on behalf of customers, cash and bank balances, trade payables, other payables and accruals and amounts due to related companies and directors.

Due to their short term nature, the carrying value of these financial instruments approximates its fair value.

(b) Financial instruments measured at fair value

As at 31 December 2013 and 2014, the Group did not have any financial instruments measured at fair value, accordingly, no analysis on fair value hierarchy is presented.

30. FINANCIAL RISK MANAGEMENT

The main risks arising from the Group's financial instruments in the normal course of Group's business are credit risk, interest rate risk and liquidity risk. These risks are managed according to the Group's financial management policies and practices described below.

(a) Credit risk

Credit risk arises when a counterparty is unable or unwilling to meet a commitment that it has entered into with the Group. The Group's credit risk is primarily attributable to its trade receivables from customers and clearing house, loans receivable and bank balances. In order to minimise credit risk, management, including responsible officers of the regulated activities, compile credit and risk management policies, approve credit limits and determine any debt recovery action on those delinquent receivables.

In respect of the securities dealing and margin financing businesses, the Group's credit risk exposure is spread over a number of customers. Accordingly, the Group has no significant concentration of credit risk on a single customer in this respect. The Group does not hold any collateral or other credit enhancement to cover its credit risk except for margin client receivables.

APPENDIX I

ACCOUNTANTS' REPORT

In respect of the money lending business, in granting loans to customers, management assesses background information and financial condition of the customers and requests collaterals from the customers in order to minimise credit risk. Management also reviews regularly the repayment pattern of the customers. Monitoring of credit risk on loans and interests receivable is performed on on-going basis.

At the end of each of the Relevant Periods, management reviews the recoverable amount of individual receivables to ensure that adequate impairment provision is made for irrecoverable amounts. In determining the recoverable amounts of receivables, management takes into account the fair value of the underlying collateral, if any. In this regard, the directors of the Company consider that the Group's credit risk associated with trade receivables and loans receivable is effectively controlled and significantly reduced.

The credit risk of bank balances is limited as the counterparties are reputable banks or financial institutions.

The credit policies have been consistently applied and are considered to be effective in limiting the Group's exposure to credit risk to a desirable level.

(b) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group's interest rate risk mainly arises from trade receivables, loans receivable and bank balances. Trade receivables and loans receivable carrying interest at fixed rates expose the Group to fair value interest rate risk while bank balances carrying interest at variable rate expose the Group to cash flow interest rate risk.

The directors of the Company consider the Group's cash flow interest rate risk on bank balances is not significant due to low level of deposit interest rate.

(c) Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade payables and other payables, including amounts due to related parties, and its financing obligations, and also in respect of its cash flow management. In addition, a subsidiary of the Company is regulated by SFC and is subject to certain requirements under the Securities and Futures (Financial Resources) Rules and accordingly, the Group has to monitor the liquidity of this subsidiary to ensure compliance with the relevant rules. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

For maturity analysis purpose, the amounts due to related companies and directors as at 31 December 2013 and 2014 are due for repayment upon demand whereas other financial liabilities are due for repayment either on demand or within one year. The carrying amounts of the Group's financial liabilities approximate their contractual undiscounted cash flows.

31. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this Financial Information, the following significant events took place subsequent to 31 December 2014:

- (a) Pursuant to the resolution passed by the shareholders of the Company on [●], conditional on the share premium account of the Company being credited as a result of the issue of the shares by the Company pursuant to the placing as mentioned below, the issue of a total of [REDACTED] shares at par by the Company to Snail Capital and HCC & Co on a pro-rata basis by way of capitalising an amount of HK\$[REDACTED] from the share premium account of the Company ("Capitalisation Issue") has been approved.
- (b) Pursuant to the resolutions passed by the shareholders of the Company on [●], and subject to the same conditions as stated in the sub-paragraph headed "Conditions of the [REDACTED]" in the section headed "Structure and Conditions of the [REDACTED]" included in this document of the Company, the following have been approved:
 - (i) The [REDACTED] of [REDACTED] of the Company at [REDACTED] of not more than HK\$[REDACTED] per [REDACTED] and not less than HK\$[REDACTED] per [REDACTED];
 - (ii) The principal terms of the share option scheme as set out in the section headed "Other information" in Appendix IV to this document.
- (c) [●]

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III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 31 December 2014.

Yours faithfully,

BDO Limited

Certified Public Accountants

LEE MING WAI

Practising Certificate number: P05682

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

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 the 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 of 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] Share, or to HK\$[REDACTED] per Share, based on [REDACTED] of HK\$[REDACTED] per [REDACTED] Share, 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.

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II

UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 January 2015 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association ("**Memorandum**") and the Amended and Restated Articles of Association ("**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on [Date]. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to a bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the company secretary, or by two Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words "restricted voting" or "limited voting" or "non-voting" or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than four persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to a bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in a general meeting, but if such power or act is regulated by the Company in a general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in a general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of the adopting the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of the auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

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- (dd) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Director, his associate(s) and employee of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or
- (ee) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in a general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

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In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in a general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

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In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarised above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (i) increase its share capital by the creation of new shares of such amount as it thinks expedient; (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (iii) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (v) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (vi) make provision for the allotment and issue of shares which do not carry any voting rights; (vii) change the currency of denomination of its share capital; and (viii) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution – majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days after being passed.

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An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

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Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

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Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarised financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

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Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

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Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

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(l) Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

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Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

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(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as a proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued

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and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

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(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) to this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

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In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and three months period (being the three months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engage in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 14 January 2015 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

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(b) Share capital

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

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(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under section 37A(1) the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (i) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (ii) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (iii) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of sections 34 and 37A(7) of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is *ultra vires* or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(g) Disposal of assets

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and company secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(ii) in addition, that no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

(aa) on or in respect of the shares, debentures or other obligations of the Company;
or

(bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 3 February 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANIES LAW

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorised to be done by the official

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liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANIES LAW**

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

APPENDIX IV

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A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 14 January 2015 and was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 12 February 2015. We have established a place of business in Hong Kong at Unit 1506, 15th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong. Mr. Henry Cheung and Mr. Jonathan Cheung have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it operates subject to the Cayman Companies Law and our constitution comprising the Memorandum and the Articles. A summary of certain provisions of the constitution of our Company and relevant aspects of the Cayman Companies Law is set out in Appendix III to this document.

2. Changes in share capital

Our authorised share capital as at the date of our incorporation was HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each. On 14 January 2015, (i) the fully-paid subscriber share was transferred to HCC; (ii) 30 shares were allotted and issued at par to SCL; and (iii) 69 shares were allotted and issued at par to HCC. On [●], upon completion of the acquisition of PCGL by PIL, our Company allotted and issued 30 new shares at par to SCL. On [●], upon completion of the acquisition of PIGL by our Company, 70 new shares were allotted and issued at par to HCC by our Company.

On [●], our Company sub-divided all its issued and unissued shares with par value of HK\$0.10 each into 10 Shares of HK\$0.01 each. On the same date, our Company increased its authorised share capital to HK\$500,000,000 divided into 50,000,000,000 Shares with a par value of HK\$0.01 each by the creation of an additional 49,962,000,000 Shares. We allotted and issued an aggregate of [REDACTED] Shares to our then existing shareholders pursuant to the Capitalisation Issue. A total of [REDACTED] will be issued pursuant to the [REDACTED].

Immediately following completion of the [REDACTED] and the Capitalisation Issue and taking no account of any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$[REDACTED] divided into [REDACTED] Shares, all fully-paid or credited as fully-paid and [REDACTED] Shares will remain unissued.

Save for the aforesaid and as mentioned in the paragraph headed "3. Resolutions in writing of our Shareholders passed on [●]" in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

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3. Resolutions in writing of our Shareholders passed on [●]

Pursuant to the written resolutions passed by our Shareholders on [●]:

- (a) we approved and conditionally adopted the Articles which will become effective upon the Listing Date;
- (b) we sub-divided each existing issued and unissued share of HK\$0.10 in the share capital of the Company into 10 new Shares of HK\$0.01 each;
- (c) the authorised share capital of our Company was increased from HK\$380,000 to HK\$500,000,000 by the creation of an additional 49,962,000,000 Shares;
- (d) conditional on (i) the Listing Division of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue, Shares to be issued pursuant to the Capitalisation Issue and our Shares to be issued as mentioned in this document (including any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme); (ii) the entering into the Price Determination Agreement among our Company and the Lead Manager (for itself and on behalf of the Underwriters) on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreement:
 - (i) the [REDACTED] was approved and our Directors were authorised to allot and issue the new Shares pursuant to the [REDACTED];
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraphs headed "1. Share Option Scheme" below in this Appendix, were approved and adopted and our Directors were authorised to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme; and
 - (iii) conditional on the share premium account of our Company being credited as a result of the issue of the Shares by our Company pursuant to the [REDACTED], our Directors were authorised to capitalise an amount of HK\$[REDACTED] standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par [REDACTED] Shares, such Shares to be allotted and issued to our Shareholders as of [●] on a pro rata basis.
- (e) a general unconditional mandate was given to our Directors to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than pursuant to

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a rights issue or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority granted by our Shareholders in a general meeting, unissued Shares with a total nominal value not exceeding 20.0% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the [REDACTED] (but taking no account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first;

- (f) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase, on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10.0% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalisation Issue and the [REDACTED] (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held, or until varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting, whichever occurs first; and
- (g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (f) above.

4. Corporate reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the listing of our Shares on the Stock Exchange. For information relating to the Reorganisation, please refer to the section headed "History, Reorganisation and corporate structure" of this document.

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5. Changes in share capital of subsidiaries

Our subsidiaries are referred to in the Accountants' Report in Appendix I to this document. Save for the subsidiaries mentioned in the Accountants' Report and in the section headed "History, Reorganisation and corporate structure", our Company has no other subsidiaries.

Save as disclosed in the section headed "History, Reorganisation and corporate structure", there were no changes to the share capital of our subsidiaries within two years immediately preceding the date of this document.

6. Repurchases of our Shares

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its Shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions in writing of our Shareholders passed on [●], a general unconditional mandate (the "**Buyback Mandate**") was granted to our Directors authorising the repurchase of shares by our Company on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal value not exceeding 10.0% of the aggregate nominal amount of the share capital of our Company in issue and to be issued as mentioned herein, at any time until the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by an applicable law or the Articles to be held or when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange in effect from time to time.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and its Shareholders for our Directors to have general authority from its Shareholders to enable our Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors

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believe that such repurchases will benefit our Company and its members. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value of our Company and its assets and/or its earnings per Share.

(c) Funding of repurchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands.

It is presently proposed that any repurchase of Shares will be made out of the profits of our Company, the share premium amount of our Company or the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of either or both of the profits of our Company or the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

Our Directors do not propose to exercise the Buyback Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) Share capital

Exercise in full of the Buyback Mandate, on the basis of [REDACTED] Shares in issue immediately after the listing of our Shares (but not taking into account our Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), could accordingly result in up to [REDACTED] Shares being repurchased by our Company during the period until:

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required by any applicable law or the Articles to be held; or
- (iii) the date on which the Buyback Mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting, whichever occurs first.

(e) General

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to us or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Buyback Mandate in accordance with the GEM Listing Rules, the Cayman Companies Law and other applicable laws of the Cayman Islands.

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The GEM Listing Rules prohibit our Company from knowingly repurchasing securities of our Company from a "core connected person", that is, a Director, chief executive or substantial Shareholder of our Company or any of its subsidiaries or any of their respective close associates. A core connected person shall not knowingly sell his shares to our Company on the Stock Exchange.

No core connected person (as defined in the GEM Listing Rules) has notified us that he/she/it has a present intention to sell Shares to us, or has undertaken not to do so, if the Buyback Mandate is exercised.

If as a result of any securities repurchased pursuant to the Buyback Mandate, a shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Buyback Mandate is exercised.

If the Buyback Mandate is fully exercised immediately following completion of the [REDACTED] and the Capitalisation Issue (but not taking into account our Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Buyback Mandate shall be [REDACTED] Shares, being 10.0% of the issued share capital of our Company based on the aforesaid assumptions. The percentage shareholding of HCC and SCL in aggregate will be increased to approximately [REDACTED]% of the issued share capital of our Company immediately following the full exercise of the Buyback Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the GEM Listing Rules requirements regarding the public float under Rule 11.23 of the GEM Listing Rules. However, our Directors have no present intention to exercise the Buyback Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the GEM Listing Rules.

B. INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business) have been entered into by us or any of our subsidiaries within the two years preceding the date of this document and are or may be material:

- (a) an instrument of transfer dated [●] entered into between Pinestone Group Limited and Pinestone Capital Limited regarding the transfer of one share in Pinestone Investment Group Limited from Pinestone Group Limited to Pinestone Capital Limited for a consideration of HK\$[121,148,150];

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- (b) an instrument of transfer dated [●] entered into between Pinestone Group Limited and Pinestone International Limited regarding the transfer of 1,000,000 shares in Pinestone Capital Group Limited from Pinestone Group Limited to Pinestone International Limited for a consideration of HK\$[9,354,759];
- (c) a deed of assignment dated [●] entered into among Pinestone Group Limited, HCC & Co Limited and Pinestone Capital Limited regarding the assignment of all rights, title and interest in the total outstanding non-interest bearing loan of HK\$99,441,091 from Pinestone Group Limited to HCC & Co Limited;
- (d) a deed of assignment dated [●] entered into among Pinestone Group Limited, Snail Capital Limited and Pinestone International Limited regarding the assignment of all rights, title and interest in the total outstanding non-interest bearing loan of HK\$[●] from Pinestone Group Limited to Snail Capital Limited;
- (e) a deed of assignment dated [●] entered into among Pinestone Group Limited, Pinestone Investment Group Limited and Pinestone Capital Limited regarding the assignment of all rights, title and interest in the total outstanding non-interest bearing loan of HK\$[●] from Pinestone Group Limited to Pinestone Capital Limited;
- (f) a promissory note dated [●] issued by Pinestone International Limited regarding the non-interest bearing loan of HK\$[●] owing from and repayable by Pinestone International Limited to Pinestone Group Limited;
- (g) a promissory note dated [●] issued by Pinestone Capital Limited regarding the non-interest bearing loan of HK\$[●] owing from and repayable by Pinestone Capital Limited to Pinestone Group Limited;
- (h) a deed of novation dated [●] entered into among Snail Capital Limited, Pinestone International Limited and Pinestone Capital Limited regarding the assumption of all liabilities by Pinestone Capital Limited of the outstanding non-interest bearing loan of HK\$[●] due from Pinestone International Limited to Snail Capital Limited;
- (i) the Deed of Indemnity;
- (j) the Deed of Non-Competition; and
- (k) the Underwriting Agreement.

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2. Intellectual property rights of our Group

(a) Trademarks

As of the Latest Practicable Date, our Group had applied for the registration of the following trademark which, in the opinion of our Directors, is material to our business:

Trademark	Application no.	Class	Name of applicant	Place of application	Date of application
PineStone 鼎石	303216276	36	Pinestone Capital Limited 鼎石資本有限公司	Hong Kong	27 November 2014

(b) Domain names

As of the Latest Practicable Date, our Group was the registered proprietor of the following domain name which, in the opinion of our Directors, is material to our business:

Domain name	Name of registered proprietor	Date of registration	Expiry date
pinestone.com.hk	Pinestone Securities Limited	11 April 2012	12 April 2015

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C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Directors

(a) *Disclosure of interests – interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following completion of the Capitalisation Issue and the [REDACTED] and without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, the interests or short positions of our Directors or chief executives of our Company in the shares, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors once our Shares are listed will be as follows:

(i) *Interests in our Company*

Name	Nature of interest	Interests in Shares ⁽¹⁾	Approximate percentage shareholding
Mr. Henry Cheung ⁽²⁾	Interest in controlled corporation	[REDACTED] (L)	[REDACTED]
Mr. Jonathan Cheung ⁽³⁾	Interest in controlled corporation	[REDACTED] (L)	[REDACTED]

Notes:

- (1) The letter "L" denotes the person's long position in our Shares.
- (2) HCC is beneficially and wholly-owned by Mr. Henry Cheung. By virtue of the SFO, Mr. Henry Cheung is deemed to be interested in the Shares held by HCC.
- (3) SCL is beneficially and wholly-owned by Mr. Jonathan Cheung. By virtue of the SFO, Mr. Jonathan Cheung is deemed to be interested in the Shares held by SCL.

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(ii) *Interests in associated corporations of our Company*

<u>Name</u>	<u>Name of associated corporation</u>	<u>Capacity</u>	<u>Number of shares</u>	<u>Approximate percentage shareholding</u>
Mr. Henry Cheung	HCC ¹	Beneficial owner	1	100%

Note:

(1) HCC is beneficially and wholly-owned by Mr. Henry Cheung.

(b) *Particulars of service contracts*

Each of our executive Directors has entered into a service contract with our Company and each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

The appointments of the executive Directors and independent non-executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) *Directors' remuneration*

Each of our executive and independent non-executive Directors is entitled to a salary or director's fee (as the case may be) and shall be paid a remuneration on the basis of a twelve-month year.

Under the arrangements currently in force, the aggregate remuneration (including salaries, contributions to pension scheme, housing allowances and other allowances and benefits in kind but excluding discretionary bonuses and commissions) of our Directors for the year ending 31 December 2015 is estimated to be approximately HK\$[686,000].

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The annual remuneration (including salaries, contributions to pension schemes, housing allowances, other allowances and benefits in kind but excluding discretionary bonuses and commissions) of our executive and independent non-executive Directors are as follows:

Name	Annual salary/fee (HK\$)
Mr. Henry Cheung	[240,000]
Mr. Jonathan Cheung	[240,000]
Mr. Yeung King Wah	[120,000]
Mr. Lai Tze Leung George	[120,000]
Mr. So Stephen Hon Cheung	[120,000]

During the Track Record Period, no remuneration was paid by us to, or received by, our Directors or former Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by us to, or received by, our Directors or former Directors or the five highest paid individuals for each of the years during the Track Record Period for the loss of any office in connection with the management of the affairs of any subsidiary of our Company.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments in each of the two years ended 31 December 2014.

Save as disclosed above, no other payments have been made or are payable in respect of the two years ended 31 December 2014 by any member of our Group to any of our Directors.

Further details of the terms of the abovementioned service contracts are set out in the paragraph headed "Particulars of service contracts" above in this Appendix.

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2. Substantial Shareholders

So far our Directors are aware as of the Latest Practicable Date, immediately following the completion of the Capitalisation Issue and the [REDACTED] and taking no account of any Shares that may be issued pursuant to the exercise of options which may be granted under the Share Option Scheme, the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the SFO:

Name of Shareholder	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of interest in our Company immediately following the completion of the [REDACTED] and the Capitalisation Issue
HCC ⁽²⁾	Beneficial owner	[REDACTED]	[REDACTED]
SCL ⁽³⁾	Beneficial owner	[REDACTED]	[REDACTED]

Notes:

- (1) The letter "L" denotes the person's long position in our Shares.
- (2) HCC is beneficially and wholly-owned by Mr. Henry Cheung. By virtue of the SFO, Mr. Henry Cheung is deemed to be interested in the Shares held by HCC.
- (3) SCL is beneficially and wholly-owned by Mr. Jonathan Cheung. By virtue of the SFO, Mr. Jonathan Cheung is deemed to be interested in the Shares held by SCL.

3. Agency fees or commissions received

Save as disclosed in this document, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this document.

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4. Disclaimers

Save as disclosed herein:

- (a) none of our Directors or the chief executive of our Company has any interest or short position in our shares, underlying shares or debentures of our Company or any of its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors once our shares are listed;
- (b) none of our Directors or experts referred to under the paragraph headed "8. Qualifications of experts" in this Appendix has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this document been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group taken as a whole;
- (d) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation));
- (e) taking no account of Shares which may be taken up under the [REDACTED] or upon the exercise of any options which may be granted under the Share Option Scheme, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [REDACTED], have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;
- (f) none of the experts referred to under the paragraph headed "8. Qualifications of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

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- (g) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company had any interests in the five largest customers or the vendor of our Group.

D. OTHER INFORMATION

1. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted by the resolutions in writing of our Shareholders passed on [●].

(a) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to recognise and acknowledge the contributions that the Eligible Participants (as defined in paragraph (b) below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate the Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain an on going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

(b) Who may join

The Board may, at its discretion, offer to grant an option to the following persons (collectively the “**Eligible Participants**”) to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph (f) below:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including independent non-executive directors) of our Company or any of its subsidiaries; and
- (iii) any advisers, consultants, agents, customers and such other persons who in the sole opinion of the Board will contribute or have contributed to our Company or any of its subsidiaries.

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(c) Acceptance of an offer of Options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on GEM or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

Subject to paragraphs (l), (m), (n), (o) and (p), an Option shall be exercised in whole or in part and, other than where it is exercised to the full extent outstanding, shall be exercised in integral multiples of such number of Shares as shall represent one board lot for dealing in Shares on GEM for the time being, by the grantee by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the exercise price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and the remittance and, where appropriate, receipt of the certificate by the auditors to our Company or the approved independent financial adviser as the case may be pursuant to paragraph (r), our Company shall allot and issue the relevant number of Shares to the grantee credited as fully-paid and issue to the grantee certificates in respect of our Shares so allotted.

The exercise of any Option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company.

(d) Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10% of the total number of Shares in issue immediately following completion of the [REDACTED], being [REDACTED] Shares, excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of our Company). Subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of our Shares in issue as of the date of the approval by our Shareholders in general meeting; and/or

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- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to our Shareholders shall contain a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

Notwithstanding the foregoing and subject to paragraph (r) below, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of our Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph (r) below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

(e) Maximum number of options to any one individual

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue as of the date of grant. Any further grant of options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant), the information as required under Rule 23.02(2)(d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (ii) the approval of our Shareholders in general meeting and/or other requirements prescribed under the GEM Listing Rules from time to time with such Eligible Participant and his close associates (as defined in the GEM Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before our Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the

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date of grant for the purpose of calculating the subscription price of our Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine (or, alternatively, documents accompanying the offer document which state), among others:

- (aa) the Eligible Participant's name, address and occupation;
- (bb) the date on which an option is offered to an Eligible Participant which must be a date on which the Stock Exchange is open for the business of dealing in securities;
- (cc) the date upon which an offer for an option must be accepted;
- (dd) the date upon which an option is deemed to be granted and accepted in accordance with paragraph (c);
- (ee) the number of Shares in respect of which the option is offered;
- (ff) the subscription price and the manner of payment of such price for our Shares on and in consequence of the exercise of the option;
- (gg) the date of the notice given by the grantee in respect of the exercise of the option; and
- (hh) the method of acceptance of the option which shall, unless the Board otherwise determines, be as set out in paragraph (c).

(f) Price of Shares

Subject to any adjustments made as described in paragraph (r) below, the subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the higher of:

- (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

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(g) Granting options to core connected persons

Any grant of options to a director, chief executive or substantial shareholder (as defined in the GEM Listing Rules) of our Company or any of their respective close associates (as defined in the GEM Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective close associates (as defined in the GEM Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the GEM Listing Rules of our Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the GEM Listing Rules, based on the official closing price of our Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of our Shareholders in general meeting on a poll at which all core connected persons (as defined in the GEM Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the GEM Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to our Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before our Shareholders' meeting and the date of the Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 23.02(2)(c) and (d) and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules; and
- (iv) the information required under Rule 2.28 of the GEM Listing Rules.

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(h) Restrictions on the times of grant of options

A grant of options may not be made after inside information has come to the knowledge of our Company until it has been published pursuant to the requirements of the GEM Listing Rules and the inside information provisions of Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date was first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's annual, half-yearly, quarterly or other interim period results (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual, half-yearly, or quarterly or other interim period results (whether or not required under the GEM Listing Rules),

and ending on the date of actual publication of the relevant results announcement, and where an option is granted to a Director:

- (iii) no options shall be granted during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (iv) during the period of 30 days immediately preceding the publication date of the quarterly results and half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-yearly period up to the publication date of the results.

(i) Rights are personal to grantee

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do (save that the grantee may nominate a nominee in whose name our Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding options or any part thereof granted to such grantee.

(j) Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save

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that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption.

(k) Performance target

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

(l) Rights on ceasing employment or death

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph (m) below, the grantee may exercise the option up to the entitlement of the grantee as of the date of cessation (to the extent not already exercised) within a period of one month from such cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

(m) Rights on dismissal

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, or has been convicted of any criminal offense involving his integrity or honesty, his option will lapse and not be exercisable after the date of termination of his employment.

(n) Rights on takeover

If a general offer is made to all our Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Code)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

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(o) *Rights on winding-up*

In the event that a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid and register the grantee as holder thereof.

(p) *Rights on compromise or arrangement between our Company and its members or creditors*

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(q) *Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank *pari passu* in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully-paid Shares in issue on the date of exercise.

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(r) Effect of alterations to capital

In the event of any alteration in the capital structure of our Company whilst any option may become or remain exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 23.03(13) of the GEM Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time and the note thereto. The capacity of the auditors of our Company or the approval of the independent financial adviser, as the case may be, in this paragraph is that of experts and not arbitrators and their certificate shall, in the absence of manifest error, be final and conclusive and binding on our Company and the grantees.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to the options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

(s) Expiry of option

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs (l), (m), (n), (o) or (p);
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph (p) becomes effective;
- (iv) subject to paragraph (o), the date of commencement of the winding-up of our Company;

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- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty, or in relation to an employee of our Group (if so determined by the Board), or has been insolvent, bankrupt or has made compositions with his creditors generally or any other ground on which an employee would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph (i) above or the options are cancelled in accordance with paragraph (u) below.

(t) Alteration of the Share Option Scheme

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or the Eligible Participants (as the case may be) in respect of the matters contained in Rule 23.03 of the GEM Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted,

shall first be approved by our Shareholders in general meeting provided that if the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall still comply with Chapter 23 of the GEM Listing Rules and any change to the authority of the Board in relation to any alteration to the terms of the Share Option Scheme must be approved by Shareholders in general meeting.

(u) Cancellation of options

Subject to paragraph (i) above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (m).

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(v) Termination of the Share Option Scheme

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Administration of the Board

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

(x) Condition of the Share Option Scheme

The Share Option Scheme is conditional on:

- (i) the passing of the necessary resolutions by the shareholders of our Company to approve and adopt the rules of the Share Option Scheme;
- (ii) the Listing Division of the Stock Exchange granting the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise; and
- (iv) the commencement of dealings in our Shares on the Stock Exchange.

If the conditions in paragraph (x) above are not satisfied within six calendar months from the date of adoption:

- (i) the Share Option Scheme shall forthwith determine;
- (ii) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (iii) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option granted thereunder.

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(y) Disclosure in annual and interim reports

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the GEM Listing Rules in force from time to time.

(z) Present status of the Share Option Scheme

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Division of the Stock Exchange for the listing of and permission to deal in our Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme, being [REDACTED] Shares in total.

2. Tax and other indemnities

Our Controlling Shareholders entered into a deed of indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the contract referred to in the paragraph headed "B. Information about the business – 1. Summary of material contracts" in this Appendix) to provide indemnities on a joint and several basis in respect of, among other matters, taxation resulting from income, profits or gains earned, accrued or received as well as any liability of our Group as a result of or in connection with regulatory and legal non-compliance by any members of our Group for matters in existence on or before of the Listing Date as disclosed under the section headed "Business" of this document to which any member of our Group may be subject and payable on or before the date when the [REDACTED] becomes unconditional.

3. Litigation

As of the Latest Practicable Date, save as disclosed in this document, no member of our Group was engaged in any litigation or arbitration of material importance and, so far as our Directors are aware, no litigation or claim of material importance is pending or threatened by or against any member of our Group.

4. Sponsor

Altus Capital Limited has made an application on our behalf to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, all our Shares in issue and to be issued as mentioned in this document (including any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme).

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The Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

The Sponsor's fees are HK\$4.0 million and are payable by our Company.

5. Preliminary expenses

The estimated preliminary expenses incurred and paid by our Company were approximately HK\$148,700.

6. Promoter

Our Company has no promoter for the purposes of the GEM Listing Rules. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the [REDACTED] and the related transactions described in this document.

7. Taxation of holders of Shares

(a) Hong Kong

The sale, purchase and transfer of Shares registered with our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of our Shares being sold or transferred. Profits from dealings in our Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of Hong Kong would likely fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares provided that our Company does not hold any interest in land in the Cayman Islands.

(c) British Virgin Islands

No stamp duties or similar documentary taxes imposed by or in the British Virgin Islands are payable by our Company and Company will not be required by any laws of the British Virgin Islands to make any deduction or withholding from any payment it may make.

Notwithstanding any provision of the Income Tax Ordinance of the British Virgin Islands, (a) our Company; (b) all dividends, interest, rents, royalties, compensations and other amounts paid by our Company; and (c) capital gains realised with respect to any shares, debt obligations or other securities of our Company, are exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands. The British Virgin Islands currently levies no estate, inheritance, succession or gift tax with respect to any shares, debt obligations or other securities of our Company.

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(d) Consultation with professional advisers

Intending holders of our Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or the other parties involved in the [REDACTED] can accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercise of any rights attaching to them.

8. Qualification of experts

The following are the qualifications of the experts who have given their opinion or advice which are contained in, or referred to in this document:

Name	Qualifications
Altus Capital Limited	Licensed to conduct Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Appleby	Cayman Islands attorneys-at-law
BDO Limited	Certified Public Accountants

9. Consents of experts

Each of the experts named in paragraph 8 of this Appendix has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or opinion and/or the references to its name included herein in the form and context in which it is respectively included.

10. Interests of experts in our Company

None of the persons named in paragraph 8 of this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any shares or securities in any member of our Group.

11. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Miscellaneous Provisions) Ordinance so far as applicable.

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12. Registration procedures

The register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and the Hong Kong branch register of members of our Company will be maintained in Hong Kong by [REDACTED]. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by our Company's share registrar in Hong Kong and may not be lodged in the Cayman Islands.

13. No material adverse change

Our Directors confirmed that, up to the Latest Practicable Date, there has been no material adverse change in financial or trading position or prospects of our Group since 31 December 2014, being the date on which the latest financial information of our Group was reported in the Accountants' Report included in Appendix I to this document.

14. Miscellaneous

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;
 - (iv) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries;
- (b) save as disclosed in this document, no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 December 2014 (being the date to which the latest audited combined financial statements of our Group were made up);

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- (d) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this document;
- (e) the principal register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by [REDACTED]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable our Shares to be admitted to CCASS;
- (f) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (g) our Directors have been advised that under the Cayman Companies Law the use of a Chinese name by our Company does not contravene the Cayman Companies Law; and
- (h) save as disclosed in this document, our Company has no outstanding convertible debt securities or debentures.

15. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

APPENDIX V

**DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

9. the written consents referred to in the section headed "Statutory and general information – D. Other information – 9. Consents of experts" in Appendix IV to this document; and

10. the rules of the Share Option Scheme.