
SUMMARY

This summary aims to give you an overview of the information contained in this document and should be read in conjunction with the full text of this document. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole document, including our financial statements and the accompanying notes, before you decide to invest in the [REDACTED].

There are risks associated with any investment. Some of the particular risks of investing in the [REDACTED] are set forth in the section headed “Risk Factors” of this document. You should read that section carefully before you decide to invest in the [REDACTED]. Various expressions used in this summary are defined in the sections headed “Definitions” and “Glossary of Technical Terms” in this document.

OVERVIEW

We are a full-service securities group based in Hong Kong with integrated service offering comprising brokerage, loans and financing, investment banking and asset management services. Our Controlling Shareholder, Industrial Securities, is one of the leading securities firms in the PRC and listed on the Shanghai Stock Exchange (stock code: 601377). According to the SAC, for the year 2015, Industrial Securities was ranked (i) 16th out of 125 PRC securities companies in terms of total assets which amounted to approximately RMB98.5 billion; and (ii) 16th out of 125 PRC securities companies in terms of revenue which amounted to approximately RMB8.6 billion (representing 1.5% of the total revenue of these PRC securities companies as quoted by the SAC). Through our operating subsidiaries, we provide a wide range of financial services tailored to the varying needs of our clients. To fasten the development and expansion of our business and service capability, we have developed a strong capital base through a series of capital injections from our Shareholders, as further described in the “History, Reorganisation and Group Structure” section. To capture growth opportunities and offer services of premium quality, we had a seasoned team led by 15 Responsible Officers with strong technical know-how and rich industry experience as at 31 March 2016 across our different business lines to serve our clients. Benefiting from our history as a subsidiary of Industrial Securities and capitalising on the brand reputation associated with “兴证” and our core competitive strengths, we have been consolidating our client base, innovating products and services to align with the diversifying needs of our clients and optimising our business structure in response to changing economic cycle and development trends of the global financial markets.

Our service offering primarily comprises the following:

- **Brokerage:** we engage in the trading of stocks, futures, options and other securities in Hong Kong, United States, the PRC (comprising B shares and eligible securities traded through the Shanghai-Hong Kong Stock Connect) and other overseas markets on behalf of our clients. We also offer insurance, pensions and other wealth management products developed by third parties to our clients.
- **Loans and financing:** we offer margin financing and money lending services to provide funding flexibility to our clients.

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- **Investment banking:** we provide investment banking services, including equity and debt securities underwriting, listing sponsorship and financial advisory services.
- **Asset management:** we offer collective asset management products, discretionary account management and investment advisory services which cater to different investment styles and risk appetites of our clients.
- **Proprietary trading:** we engage in proprietary trading in financial products for our own accounts.

Our diversified business portfolio allows us to create synergies between our business lines, generate cross-selling opportunities and provide integrated financial services to clients.

Our Group's history traces back to July 2011 when Industrial Securities founded Industrial Securities (Hong Kong) with an initial issued share capital of HK\$100 million. Our operating subsidiaries were granted the licenses for Type 1, Type 2, Type 4 and Type 9 regulated activities by the SFC in 2012 and Type 5 and Type 6 regulated activities in 2013, respectively. The total market value of all securities held by our brokerage clients reached over HK\$30 billion in 2015. We are a Category C Exchange Participant and we were ranked 24th in terms of managed securities capitalisation in 2015 among all the securities companies in Hong Kong, according to Frost & Sullivan. We were also ranked 27th among all underwriters in terms of underwriting amount in 2015 in Hong Kong. For details, see "Industry Overview".

Despite our short operating history, we experienced rapid growth during the Track Record Period. Our total revenue increased from HK\$120.0 million to HK\$364.3 million for the years ended 31 December 2014 and 2015, representing a year-to-year increase of 203.6%, and increased from HK\$53.8 million to HK\$79.8 million for the three months ended 31 March 2015 and 2016, representing a period-to-period increase of 48.2%. The following table sets forth a breakdown of our revenue for the years indicated:

	For the year ended 31 December				For the three months ended 31 March			
	2014		2015		2015		2016	
	(HK\$ in millions)	%	(HK\$ in millions)	%	(HK\$ in millions)	%	(HK\$ in millions)	%
Commission and fee income								
from brokerage services	45.3	37.7	175.2	48.1	20.5	38.2	23.9	30.0
– Securities	24.0	20.0	115.6	31.7	10.6	19.7	17.5	22.0
– Futures and options	21.3	17.7	59.6	16.4	10.0	18.5	5.8	7.3
– Insurance brokerage	–	–	–	–	–	–	0.6	0.7
Income from loans and financing services	10.0	8.3	127.0	34.9	9.7	18.1	52.9	66.3
– Interest income from margin financing	8.1	6.7	107.1	29.4	7.1	13.2	47.8	59.9
– Interest income from money lending	1.9	1.6	19.9	5.5	2.6	4.9	5.1	6.4

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	For the year ended 31 December				For the three months ended 31 March			
	2014		2015		2015		2016	
	(HK\$ in millions)	%	(HK\$ in millions)	%	(HK\$ in millions) (unaudited)	%	(HK\$ in millions)	%
Commission on and advisory fees from investment banking services	20.1	16.8	25.6	7.0	1.6	2.9	1.4	1.8
– Commission on fund raising	18.1	15.1	21.0	5.8	0.3	0.5	0.4	0.5
– Sponsor fee income	–	–	2.4	0.7	–	–	1.0	1.3
– Financial advisory fee income	2.0	1.7	2.2	0.6	1.3	2.4	–	–
Fees from asset management services	1.2	1.0	7.1	1.9	0.9	1.7	1.5	1.9
– Asset management fee income	0.8	0.7	5.5	1.5	0.8	1.4	1.0	1.3
– Investment advisory fee income	0.4	0.3	1.5	0.4	0.2	0.3	0.5	0.6
Proprietary trading	43.4	36.2	29.4	8.1	21.0	39.1	–	–
– Debt securities	43.2	36.0	28.4	7.8	20.8	38.7	–	–
– Others	0.2	0.2	1.0	0.3	0.2	0.4	–	–
Total	120.0	100.0	364.3	100.0	53.8	100.0	79.8	100.0

During the years ended 31 December 2014 and 2015, our Company's business growth was mainly derived from (a) the growth in brokerage and loans and financing businesses as a result of active stock trading and market sentiment as evidenced by the surge in average daily turnover of Hong Kong stock market from HK\$69.5 billion in 2014 to HK\$105.6 billion in 2015; and (b) the increase in active accounts in our securities and futures and options brokerage businesses as a result of the expansion of our sales force of account executives under this segment from three in 2014 to 43 in 2015. We continued to achieve growth in total revenue for the three months ended 31 March 2016 compared to the same period in 2015, which was mainly due to the growth in our margin financing business, although the growth momentum slowed down due to market volatility in 2016 and major global events such as the referendum for withdrawal of the United Kingdom from the European Union. We have managed to realise such growth through our strategies of (a) continuing to enlarge our client base while retaining existing clients through the provision of comprehensive and high quality services; (b) diversifying our revenue sources through enriching our service and product offering; and (c) expanding our Group's financial resources.

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OUR COMPETITIVE STRENGTHS

We believe the following strengths distinguish us from our competitors:

- We are a fast growing securities group with a strong capital base in Hong Kong.
- We benefit from our history as a subsidiary of Industrial Securities and the brand reputation associated with “兴证”.
- We provide full-service offering that is tailored to the varying needs of our clients.
- We have a professional and seasoned team with diversified background.
- We have in place an Employee Share Participation Scheme to align the interests of our eligible employees with our Company and our Shareholders.

For further information, see “Business – Competitive Strengths”.

OUR BUSINESS STRATEGIES

We aim to continue our rapid growth through the following strategies:

- Optimising our client base by increasing diversification of client sources and offering customised services.
- Continuing to enrich our brokerage and wealth management services.
- Enhancing our asset management, investment banking, institutional sales and research service capabilities.
- Expanding our capital-based intermediary business with our strong capital base.

For further information, see “Business – Business Strategies”.

HIGHLIGHTS OF RISK FACTORS

There are a number of risks involved in our operations and in connection with the [REDACTED]. These risks can be categorised into (i) risks relating the market in which our Group operates; (ii) risks associated with our business operations; and (iii) risks relating to the [REDACTED]. The following are the highlights of our key risk factors:

- Unfavourable or uncertain economic and market conditions could materially and adversely undermine investors’ confidence, our business, results of operations and prospects.
- Our commission and fee income from brokerage business could be adversely affected by a decrease in trading volume.
- Our brokerage business could be materially and adversely affected by deterioration in the credit quality or default by our clients.
- Our loans and financing business could be materially and adversely affected by the decline in market value of the collateral or client’s default in repayment.
- We had negative operating cash flows for the years ended 31 December 2014 and 2015 and may experience the same after Listing.

For further information, see “Risk Factors”.

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SUMMARY OF FINANCIAL INFORMATION AND OPERATIONAL DATA

The following is a summary of the selected items in the consolidated results of our Group for each of the two years ended 31 December 2014 and 2015 and the three months ended 31 March 2016 extracted from the Accountants' Report, the text of which is set out in Appendix I to this document. The audited consolidated results are prepared in accordance with HKFRS on the basis of presentation set out in the Accountants' Report in Appendix I to this document. This summary should be read in conjunction with the Accountants' Report set out in Appendix I to this document.

Summary of results of operations

	Year ended		Three months ended	
	31 December		31 March	
	2014	2015	2015	2016
	HK\$	HK\$	HK\$	HK\$
	<i>(unaudited)</i>			
Revenue	120,001,758	364,324,168	53,815,010	79,766,999
Other income	4,365,712	3,865,371	644,239	957,221
Finance costs	(16,682,557)	(45,843,172)	(7,211,573)	(12,965,744)
Commission and fee expenses	(12,976,346)	(79,996,504)	(6,900,500)	(12,586,570)
Staff costs	(36,377,417)	(100,009,268)	(19,866,317)	(25,322,229)
Other operating expenses	(37,460,628)	(85,253,840)	(18,607,532)	(21,658,267)
[REDACTED] expenses	–	(1,598,329)	–	(2,871,675)
Other gains or losses	2,248,537	(7,419,313)	3,025,178	2,258,976
	<u>23,119,059</u>	<u>48,069,113</u>	<u>4,898,505</u>	<u>7,578,711</u>
Profit before taxation				
Taxation	(4,347,723)	2,434,920	34,973	(1,782,237)
	<u>18,771,336</u>	<u>50,504,033</u>	<u>4,933,478</u>	<u>5,796,474</u>
Profit for the year/period				

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The following table sets forth our segment margin^(Note) for the periods indicated:

	For the year ended		For the three
	31 December		months ended
	2014	2015	31 March
	%	%	2016
			%
Brokerage	23.0	28.3	11.8
Loans and financing	37.3	35.8	40.7
Investment banking	35.6	36.3	(82.9)
Assets management	57.4	54.2	(28.2)
Proprietary trading	35.1	(22.4)	–

Note: The segment margin is calculated by dividing segment results by segment revenue and net gains on financial assets at FVTPL. This calculation excludes unallocated expenses shared by our business segments such as administrative staff and information system such that accurate weightings on each segment cannot be allocated. See note 36 to the Accountants' Report set out in Appendix I to the document for details.

For the year ended 31 December 2015, we recorded a negative segment margin of 22.4% on our proprietary trading business, which was mainly due to the segment expenses of HK\$18.5 million arising from reclassification of exchange difference on translation of financial statements of a wholly owned investment fund. See note 12 in section A of the Accountants' Report in Appendix I for details. As at 31 August 2016, we held debt securities with a total market value of US\$304.6 million which we expect will contribute to our segment performance for the year ending 31 December 2016.

For the three months ended 31 March 2016, we recorded a negative segment margin of 82.9% on our investment banking business mainly for the reason that the revenue under several engagements for our services was yet to be recognised for that period, affecting the profitability derived from this segment. We expect our performance from investment banking business will be improved in the second half of 2016 as we expect we would recognise revenue from our new and existing engagements under this segment subsequent to the Track Record Period.

For the three months ended 31 March 2016, we recorded a negative segment margin of 28.2% on our assets management business, which was due to the absence of inter-segment revenue after the liquidation of our RMB-dominated wholly owned investment fund in the second half of 2015. We expect that the size of our AUM will increase which will contribute to our segment performance of our asset management business in the second half of 2016.

As an additional financial measure to evaluate the impact of our proprietary trading business, for the two years ended 31 December 2014 and 2015, the percentage of our segment results from proprietary trading business to our Group's profit before taxation was 65.9% and (13.7%), respectively. For the three months ended 31 March 2016, we did not hold any investment under our proprietary trading business.

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Summary of consolidated statements of financial position

	As at 31 December		As at
	2014	2015	31 March
	HK\$	HK\$	2016
Non-current assets	34,354,775	29,493,613	26,577,424
Current assets	2,103,077,870	4,886,945,812	5,367,841,701
Current liabilities	1,715,724,267	4,416,693,691	4,888,571,449
Net current assets	387,353,603	470,252,121	479,270,252
Non-current liabilities	1,030,468	2,489,749	1,794,877
Net assets	420,677,910	497,255,985	504,052,799
Equity attributable to the owner of the Company	420,677,910	497,255,985	504,052,799

Summary of consolidated statements of cash flow

	For the year ended		For the three months ended	
	31 December		31 March	
	2014	2015	2015	2016
	HK\$	HK\$	HK\$	HK\$
			<i>(unaudited)</i>	
Cash flow generated from operating activities before changes in working capital and taxes paid	45,378,623	127,378,668	15,576,005	23,661,701
Net cash (used in)/generated from operating activities	(1,063,036,606)	(1,339,419,052)	(1,786,919,479)	35,837,372
Net cash (used in)/generated from investing activities	(13,971,988)	(8,753,516)	(1,728,262)	1,353,651
Net cash generated from/(used in) financing activities	1,162,138,290	1,383,007,928	1,817,679,455	(39,765,821)
Net increase (decrease) in cash and cash equivalents	85,129,696	34,835,360	29,031,714	(2,574,798)
Effect of exchange differences on translation to presentation currency	(291,551)	–	(286,728)	–
Cash and cash equivalents at beginning of the year/period	118,348,564	203,186,709	203,186,709	238,022,069
Cash and cash equivalents at end of the year/period	<u>203,186,709</u>	<u>238,022,069</u>	<u>231,931,695</u>	<u>235,447,271</u>

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We recorded net cash used in operating activities of HK\$1,063.0 million and HK\$1,339.4 million for the year ended 31 December 2014 and 2015, respectively. The negative operating cash flow was mainly due to the expansion of our business, particularly our margin financing business. Our fast expansion of margin financing business led to large cash outflow of our operating activities which was evidenced by our increase in total margin loan balance from HK\$411.7 million as at 31 December 2014 to HK\$2,421.3 million as at 31 December 2015. Such expansion utilised part of our (i) internal resources as well as (ii) bank borrowings of HK\$986.5 million and HK\$2,416.1 million as at 31 December 2014 and 2015, respectively. We recorded a net increase in cash and cash equivalents of HK\$85.1 million and HK\$34.8 million for the years ended 31 December 2014 and 2015, respectively.

For the three months ended 31 March 2016, we recorded a net cash generated from operating activities of HK\$35.8 million attributable to smaller amount of new margin loan granted during the period. Our total margin loan balance increased to HK\$2,484.6 million as at 31 March 2016. We recorded a net cash used in financing activities of HK\$39.8 million due to the repayment of bank borrowings of HK\$1,490.2 million during the period. We maintained our cash and cash equivalents at the end of the period with a slight net decrease in cash and cash equivalents of HK\$2.6 million.

Key financial ratios

	For the year ended 31 December		For the three months ended
	2014	2015	31 March 2016 ⁽⁸⁾
Net profit margin	15.6%	13.9%	7.3%
Return on equity	4.5%	10.2%	4.6%
Return on total assets	0.9%	1.0%	0.4%
	As at 31 December		As at 31 March
	2014	2015	2016
Current ratio	1.2	1.1	1.1
Quick ratio	1.2	1.1	1.1
Gearing ratio (<i>Note</i>)	234.5%	485.9%	474.0%
Net debt to equity ratio	186.2%	438.0%	427.3%

Note: Gearing ratios is bank borrowings as a percentage of total equity as of the end of each financial year/period times 100%.

Our net profit margin decreased from 15.6% for the year ended 31 December 2014 to 13.9% for the year ended 31 December 2015 mainly due to the (i) the significant increase in commission and fee expenses in 2015; and (ii) other loss of HK\$18.5 million which was due to exchange difference reclassified to the consolidated statement of profit or loss upon 100% redemption of a wholly owned investment fund in 2015.

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Our net profit margin for the three months ended 31 March 2015 and 2016 were 9.2% and 7.3%, respectively. Such decrease was because of (i) increase in commission and fee expenses due to increase in the number of account executives; (ii) increase in staff cost due to increase in number of employees and bonuses paid; and (iii) the [REDACTED] expenses of HK\$2.9 million recognised during the period.

Our gearing ratio increased from 234.5% as at 31 December 2014 to 485.9% as at 31 December 2015 mainly due to the increase in bank borrowings from HK\$986.5 million as at 31 December 2014 to HK\$2,416.1 million as at 31 December 2015 under the aggregated banking facilities of HK\$1,960.0 million and HK\$7,265.0 million, respectively, to finance the rapid expansion of our margin financing business. As at 31 March 2016, our gearing ratio slightly decreased to 474.0%.

Our Directors are satisfied that we have sufficient working capital for our present requirements and for at least the next 12 months commencing from the date of this document, having taken into account the financial resources presently available to us, including (a) unutilised banking facilities which amounted to HK\$5,826.4 million as at 31 July 2016; (b) the capital injections from China Industrial Securities International Holdings, the [REDACTED] Investors and the Eligible Participants pursuant to the Employee Share Participation Scheme, as described in "History, Reorganisation and Group Structure"; (c) cash inflow from our operations; and (d) the estimated net [REDACTED] from the [REDACTED]. To implement prudent risk management, we closely monitor our working capital against market volatility to maintain adequate cash flow and monitor our financial exposure by strict compliance with the financial resources requirements as specified by the FRR.

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Summary of key operating data

	Year ended		Three months ended	
	31 December		31 March	
	2014	2015	2015	2016
Securities brokerage trading turnover (<i>HK\$ in millions</i>) for	17,927.0	95,634.8	11,689.9	13,074.5
Average brokerage commission rate for securities brokerage for	0.12%	0.10%	0.08%	0.12%
Number of contracts executed under futures and options brokerage for	485,298	1,588,765	269,936	153,883
Average brokerage commission per futures and options contract (<i>HK\$</i>) for	43.4	37.5	36.9	37.6
Total margin loan balance (<i>HK\$ in millions</i>) as at . . .	411.7	2,421.3	653.4	2,484.6
Total market value of collateral held for margin financing (<i>HK\$ in millions</i>) as at	1,543.5	8,940.8	2,184.9	8,639.6
Average margin ratio (<i>Note 1</i>) as at	26.7%	27.1%	29.9%	28.8%
Total loan balance for money lending (<i>HK\$ in millions</i>) as at	157.5	282.3	176.0	264.6
Total market value of collateral held for money lending (<i>HK\$ in millions</i>) as at	720.0	1,963.6	997.7	1,881.5
Average loan-to-value ratio for money lending (<i>Note 2</i>) as at	21.9%	14.4%	17.6%	14.1%
Value of securities underwritten (<i>HK\$ in millions</i>) . . .	212.2	1,849.1	6.0	606.3
Value of securities placed (<i>HK\$ in millions</i>)	300.0	16.5	–	–
Assets under management (<i>HK\$ in millions</i>) as at . . .	817.1	1,664.0	1,529.6	1,650.6
Net gain from proprietary trading (including interest income and dividend income) (<i>HK\$ in millions</i>) for	43.4	29.4	21.0	–
Average return from proprietary trading for	6.9%	4.4%	3.2%	–

Notes:

1. Average margin ratio is calculated as margin loan balance as at 31 December 2014 and 2015 and 31 March 2015 and 2016 divided by the market value of the collateral held as at the same date.
2. Average loan-to-value ratio for money lending is calculated as total loan balance for money lending as at 31 December 2014 and 2015 and 31 March 2015 and 2016 divided by the total market value of collateral held for money lending as at the same date.
3. We did not hold investment under proprietary trading business during the three months ended 31 March 2016 and hence, no net gain from proprietary trading was recorded during the period.

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RECENT DEVELOPMENT

Subsequent to the Track Record Period, Hong Kong and overseas securities markets were, to a certain extent, continued to be impacted by the change in economic cycle of Hong Kong and China and the volatility in the financial market. According to the monthly market highlights published on the website of the Stock Exchange, the level of average daily turnover of Hong Kong stock market for the first eight months ended 31 August 2016 was HK\$67.0 billion, which witnessed a significant decrease compared to HK\$121.5 billion for the same period in 2015. Accordingly, we recorded a decrease in our brokerage commission and fee income due to market volatility for the eight months ended 31 August 2016, compared to the same period in 2015. As at 31 August 2016, our average brokerage commission rate for this period was maintained at the same level as that as at 31 March 2016.

Despite the general market condition, compared to 31 August 2015, our interest and fee income from our loans and financing business for the eight months ended 31 August 2016 increased significantly, which was mainly attributed to (i) our enlarged lending capability which allowed us to maintain a significant size of lending to clients; and (ii) our approach to actively expand our client base for margin clients. Subsequent to 31 March 2016, we continue to adhere to our lending policy and have been able to maintain a stable average margin ratio and loan-to-value ratio. As at 31 August 2016, our average margin ratio and average loan-to-value ratio on an aggregate basis was 30.4% and 12.3%, respectively, which was maintained at more or less the same level as that as at 31 March 2016. The management considers that in the absent of any unforeseen circumstances, our loans and financing business will remain significant relative to our brokerage business going forward.

For our proprietary trading business, subsequent to the Track Record Period, we have been actively seeking appropriate investment opportunity and conducting significant proprietary trading activities. We acquired and held debt securities with a total market value of US\$304.6 million as at 31 August 2016, which we expect will contribute to our revenue under this segment for the year ending 31 December 2016. Of the debt securities investments held by us as at 31 August 2016, most of the investment amount was invested in investment-grade bonds (i.e. bonds rated BBB- or above by international rating agencies) and the remainder was invested in high yield bonds (i.e. bonds rated BB+ or below by international rating agencies). The duration of these bonds are mostly within five years and their coupon rates mostly range from 1.75% to 10.75%. The average investment return of the debt securities held by us since we held the relevant investments up to 31 August 2016 was 4.3%. In addition to debt securities, we also held bond futures with a total face value of US\$12.5 million as at 31 August 2016. Save as the debt securities investments and the bond futures mentioned above, we did not hold other investment under proprietary trading business as at 31 August 2016. See "Business – Our Business – Proprietary trading – Investment strategies" and "Business – Risk Management and Internal Control – Risk management relating to our proprietary trading business" for details of our investment strategies and risk management in relation to our proprietary trading business.

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In April 2016, our Company issued a total of 2,395,841,579 Shares at a total consideration of HK\$2,419,799,995 in cash to China Industrial Securities International Holdings, the [REDACTED] Investors and the Eligible Participants pursuant to the Employee Share Participation Scheme. All subscriptions were properly, legally and irrevocably settled in April 2016. For details, see "History, Reorganisation and Group Structure". The completion of the aforesaid corporate events greatly enhances our capital base for further expansion and development of our business.

Our Directors confirm that, as of the Latest Practicable Date and up to the date of this document, there has been no material adverse change in the financial or trading position or the prospects of our Group since 31 March 2016, being the date of our Group's latest audited financial statements as set out in Appendix I to this document.

RISK MANAGEMENT AND INTERNAL CONTROL

We have in place risk management structure and implemented compliance and operational manuals, which contain credit policies, operating procedures and other internal control measures for monitoring, evaluating and managing our exposure and various risks during the ordinary course of our business activities. For details see "Business – Risk management and internal control". We engaged an independent internal control consultant to conduct an internal control review on our Group in December 2015. For details, see "Business – Independent review of internal control system".

REGULATORY COMPLIANCE

Our Directors have confirmed that we have obtained all material licenses, permits or certificates necessary to conduct our business operations from the relevant governmental bodies in Hong Kong and that we were in material compliance with applicable laws during the Track Record Period and up to the Latest Practicable Date. For details of our regulatory compliance, see "Business – Regulatory compliance".

OUR SHAREHOLDERS

Our Controlling Shareholders

Immediately following completion of the [REDACTED] and the [REDACTED], Industrial Securities, Industrial Securities (Hong Kong) and China Industrial Securities International Holdings will continue to be our Controlling Shareholders for the purpose of the GEM Listing Rules. Each of the Controlling Shareholders confirms that it does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business upon [REDACTED]. For further information, see "History, Reorganisation and Group Structure" and "Relationship with the Controlling Shareholders".

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[REDACTED] Investments

Our Company and China Industrial Securities International Holdings, our Controlling Shareholder, entered into a share subscription agreement with each of the eight [REDACTED] Investors. Each of the subscriptions pursuant to the [REDACTED] Investment Agreements were properly, legally and irrevocably settled on or by 22 April 2016 and completed on 26 April 2016. Immediately after completion of the [REDACTED] and the [REDACTED] and assuming the [REDACTED] is not exercised, the aggregate shareholding of the [REDACTED] Investors will represent [REDACTED] of the issued share capital of our Company. To the best of the knowledge, information and belief of our Directors, the ultimate beneficial owners of each of the [REDACTED] Investors are independent of, and not connected with, our Company or any of our subsidiaries and connected persons. For further information, see “History, Reorganisation and Group Structure – Introduction of [REDACTED] Investors” and “History, Reorganisation and Group Structure – Corporate and Shareholding Structure of Our Group after the Completion of the [REDACTED] and the [REDACTED]”.

Employee Share Participation Scheme

Industrial Securities (Hong Kong) has adopted the Employee Share Participation scheme for the purpose of establishing a mechanism to align the interests of its employees and our management team with those of our shareholders to promote our Group’s strategies and growth. In connection with the Employee Share Participation Scheme, our Company has issued and allotted a total of [REDACTED] ES Shares for a total consideration of [REDACTED] for potential award of the ES Shares (or the proceeds from sale of the ES Shares) which has been irrevocably settled. The ES Shares represent approximately [REDACTED] of the issued share capital of our Company immediately upon completion of the [REDACTED] and the [REDACTED] and assuming the [REDACTED] is not exercised. For further information, see “History, Reorganisation and Group Structure – Employee Share Participation Scheme”.

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OUR CLIENTS

We serve a diverse base of clients, including individual, corporate and institutional entities. Our major clients are mainly high net worth individuals (i.e. client with investment portfolio exceeding HK\$1 million) and corporate clients. Our clients are mainly individual investors and based in the PRC. For the two years ended 31 December 2014 and 2015 and the three months ended 31 March 2016, our largest client accounted for 8.3%, 6.7% and 9.8% of our total revenue, respectively. During the same period, revenue attributable to our top five customers in aggregate amounted to 25.3%, 21.1% and 19.6%, respectively, of our total revenue.

USE OF [REDACTED]

Assuming an [REDACTED] of HK\$[REDACTED] per [REDACTED] (being the mid-point of the indicative [REDACTED] range), the net [REDACTED] from the [REDACTED] are estimated to be approximately HK\$[REDACTED] million, after deducting the [REDACTED] commission and estimated [REDACTED] expenses in the aggregate amount of approximately [REDACTED] in connection with the [REDACTED]. Subject to prevailing market conditions, we intend to use the net [REDACTED] from the [REDACTED] (assuming the [REDACTED] is not exercised) in the following manner:

- approximately 40%, or HK\$[REDACTED] million, for expansion of our loans and financing business;
- approximately 20%, or HK\$[REDACTED] million, for development of our proprietary trading business, primarily for investment in fixed-income assets;
- approximately 10%, or HK\$[REDACTED] million, for development of our capital-based intermediary business, including but not limited to market making for stocks and bonds, derivatives, foreign exchange and commodity transactions, financing related to mergers, acquisitions and reorganisations, and private equity investments;
- approximately 8%, or HK\$[REDACTED] million, for development of our asset management business, including but not limited to hiring experienced personnel, expanding our investment channels and seeking for cooperation opportunities to explore the global investment platform;
- approximately 8%, or HK\$[REDACTED] million, for development of our investment banking business, including hiring experienced personnel and increasing capital support for our fund raising services;
- approximately 4%, or HK\$[REDACTED] million, for development of our institutional sales capabilities, including hiring experienced sales personnel; and
- the remaining amount, or approximately 10%, or HK\$[REDACTED] million, for our working capital and other general corporate purposes.

For further information of the use of [REDACTED], see "Future Plans and Use of [REDACTED]".

SUMMARY

[REDACTED] STATISTICS

All statistics in this table are based on the assumption that the [REDACTED] would not be exercised:

	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalisation of the Shares (<i>Note 1</i>)	[REDACTED]	[REDACTED]
Unaudited pro forma adjusted net tangible asset value per Share after [REDACTED] Shares Issuance, [REDACTED] and [REDACTED] (<i>Note 2</i>)	[REDACTED]	[REDACTED]

Notes:

1. *The calculation of the market capitalisation is based on 4,000,000,000 Shares expected to be in issue following the completion of the [REDACTED] and the [REDACTED].*
2. *The unaudited pro forma adjusted consolidated net tangible asset value per Share has been arrived at after making the adjustments referred to in "A. Unaudited pro forma statement of adjusted consolidated net tangible assets" in Note 4 to Appendix II to this document and on the basis of 4,000,000,000 Shares (being the number of Shares in issue, Shares issued in April 2016, the [REDACTED] and Shares to be issued upon [REDACTED]).*

[REDACTED] EXPENSES

[REDACTED] expenses represent professional fees, [REDACTED] commissions and other fees incurred in connection with the [REDACTED] and [REDACTED]. Assuming an [REDACTED] of [REDACTED] per [REDACTED] (being the mid-point of the stated range of the [REDACTED] of between HK\$[REDACTED] and HK\$[REDACTED] per [REDACTED]), [REDACTED] to be borne by us are estimated to be [REDACTED], of which [REDACTED] is directly attributable to the issue of the [REDACTED] to the public and to be capitalised, and [REDACTED] has been or is expected to be reflected in our consolidated statements of profit or loss and other comprehensive income. [REDACTED] of the [REDACTED] expenses were reflected in our consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2015. In view of the above, [REDACTED] should note that the financial results of our Group for the year ending 31 December 2016 will be adversely affected by the non-recurring expenses in relation to the [REDACTED].

SUMMARY

DIVIDEND

No dividends had been declared and paid by the companies comprising our Group during the Track Record Period and up to the Latest Practicable Date. During the Track Record Period, we did not have any dividend policy and we do not currently have any dividend policy in place. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after the [REDACTED], any declaration of final dividend for the year will be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

As a result, there can be no assurance that any particular amount of dividends, or any dividend at all, will be declared or paid in the future. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations.

ELIGIBILITY FOR [REDACTED] ON THE MAIN BOARD

Based on the audited consolidated financial statements of Industrial Securities (Hong Kong) (i.e. the holding company of the operating subsidiaries of our Group prior to the Reorganisation), Industrial Securities (Hong Kong) recorded a net loss for the year ended 31 December 2013. We recorded such loss at the time as we were still in our initial stage of development and incurred significant expenses on our operations. Based on the above, our Directors are of the view that our Company would not be able to meet the profit requirement under Main Board Listing Rule 8.05(1)(a) and hence, not be eligible to apply for a [REDACTED] on the Main Board, as the pro forma aggregated profit attributable to shareholders in respect of the two years preceding the most recent year would be less than HK\$30 million.