[**REDACTED**] *should consider carefully all the information set forth in this document and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to our Company. The occurrence of any of the following events may have a material adverse effect on the business, results of operations, financial conditions and prospects of our Group. The trading price of the Shares could decline due to any of these risks, and you may lose all or part of your investment.*

RISKS RELATING TO THE MARKET IN WHICH OUR GROUP OPERATES

Unfavourable or uncertain economic and market conditions could materially and adversely undermine investors' confidence, our business, results of operations and prospects

Our business is highly dependent on the global and local market conditions. The slowdown of Hong Kong and the PRC economy, plunge in crude oil and commodities prices and fluctuations in interest and foreign exchange rates may materially undermine the business and result of operations of entities listed on the Stock Exchange. Hong Kong and China's stock markets and market indices have been experiencing significant fluctuation since the second quarter of 2015.

Adverse changes in general economic or financial conditions would increase the volatility of the securities market, thereby weakening investors' confidence in and reducing securities trading, margin financing and corporate finance activities, which, in turn, would materially and adversely affect the commission and fee income from our brokerage business, interest income from our loans and financing business and underwriting commission, financial advisory fee and sponsor fee from our investment banking business. We may also experience decrease in the asset management fees we earn from our asset management business during the period of adverse economic and market conditions due to the reduced value of our asset management portfolio and opportunity to realise investment value from our investments and increased client redemptions. There is no assurance that global and local capital market conditions would not change suddenly and dramatically, as a result of which our business, financial conditions and results of operations may fluctuate from time to time.

Unfavourable market conditions and market volatility could also lead to an increase in the risk of default in the margin financing and loans that we have provided to our clients, material reduction in value of the collateral provided and consequently adversely impact our overall financial performance.

Subsequent to 31 December 2015, Hong Kong and overseas securities markets were continued to be, to a certain extent, impacted by the change in economic cycle of Hong Kong and China, the volatility in the financial market and other international crisis such as the referendum for withdrawal of the United Kingdom from the European Union and various terrorist attacks in Europe. As a result, we recorded a decline in our futures brokerage commission and fee income due to the decrease in trading turnover of futures and options contracts by our clients for the three months ended 31 March 2016, compared to the same period in 2015. As our business is subject to the performance of the Hong Kong securities market and on global market conditions, there is no assurance that our historical growth is reflective of our future growth or that we will be able to maintain the same level of growth as before under uncertain or unstable economic conditions.

Our business operations are concentrated in Hong Kong and any material deterioration in the economic, political and regulatory environment in Hong Kong could materially and adversely affect our business and prospects

Substantially our business operations were carried out in Hong Kong during the Track Record Period. Therefore, our business, results of operations and prospects are highly susceptible to any development or change in government policies, as well as economic, social, political and legal developments in Hong Kong. For the risks associated with any adverse change or uncertainty in local economic and market condition, see "Risks relating to the market in which our Group operates – Unfavourable or uncertain economic and market conditions could materially and adversely undermine investors' confidence, our business, results of operations and prospects" above. Further, events with adverse impact on investors' confidence and risk appetites, such as riots or mass civil disobedience movements and general deterioration of local economy, may lead to a reduction in investment or trading activities and in turn our business performance. Any adverse change in local economic, social and political environment, which is beyond our control, may lead to a prolonged period of sluggish market activities which would in turn have adverse impact on our business and operating performance.

If we are unable to compete effectively against competitors in our business lines, our business, financial conditions, results of operations and prospects may be materially and adversely affected

The financial service industry in Hong Kong has a large number of participants which makes the industry highly competitive. According to Frost & Sullivan, up to 30 June 2016, there were 582 trading right holders registered in the Hong Kong Exchanges and Clearing Limited, which comprised 530 trading Exchange Participants, 36 non-trading Exchange Participants and 16 non-exchange participants. New participants may enter into the industry as long as they obtain the requisite licences and permits.

We will have to compete against competitors who may have greater brand recognition in the market, stronger human and financial resources, a wider range of services and longer operating histories than that of us. Apart from large multinational financial institutions, we also face competition from local medium and small-sized financial services firms which offer similar range of services. There is no assurance that we 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 downward pressure on brokerage commission rate and fees charged for the services provided by us, which in turn may erode our market share and have material and adverse impact on our profitability and results of operations.

Hong Kong financial industry is highly regulated and ongoing compliance with the rules and regulations could be costly

The industry in which we are operating is highly regulated. Our business and operations are subject to a number of laws and regulations relating to the securities and financial services industry, including the SFO, the subsidiary legislations of the SFO, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, The Codes on Takeovers and Mergers and Share-Buy-Backs, the Listing Rules, the Stock Exchange Trading Rules, the MLO and other codes and guidelines published by the regulators from time to time. These laws and regulations set out the licensing requirements, regulate our operational activities and standards, impose the requirements to maintain minimum liquid capital and such other filing and reporting obligations relevant to our business operations. See "Regulatory Overview – Regulatory environment in Hong Kong" for details. There might be changes in rules and regulations and regulatory initiatives from time to time in response to the changing regulatory and market environments. Any such changes or initiatives might result in an increase in our cost of compliance, increase our liquid capital requirements or might restrict our business activities or future expansion. In case if we fail to comply with the applicable rules and regulations, it might result in fines, or even suspension or revocation of some or all of our licences for carrying on our business activities. Accordingly, our cost of operations might be materially and adversely affected by any change in regulatory environment.

We are 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 us, our Responsible Officers or Licensed Representatives. Any such disciplinary actions taken against us, and/or our Directors, Responsible Officers or Licensed Representatives, relevant staff or management involved could have an adverse impact on our business, reputation and results of operations.

RISKS ASSOCIATED WITH OUR BUSINESS OPERATIONS

Our commission and fee income from brokerage business could be adversely affected by a decrease in trading volume

A significant portion of our total revenue is generated from our brokerage commission and fee income under our brokerage business. For the two years ended 31 December 2014 and 2015 and the three months ended 31 March 2016, commission and fee income from our brokerage business amounted to HK$45.3 million, HK$175.2 million and HK$23.9 million, respectively, representing 37.7%, 48.1% and 30.0%, respectively of our total revenue for the same period. While it is our strategy to continue to expand our business lines and diversify our product and service offerings, our brokerage business is expected to be one of our main sources of revenue. Commission and fee income from our brokerage business depends, to a large extent, on the trading volume executed through our trading system.

Similar to other brokerages and financial services firms, trading volume of the investors in the stock markets as a whole in the past have been, and in the future may continue to be, materially affected by a number of factors, many of which are beyond our control, including one or a combination of the following:

- the effects of market conditions in Hong Kong, China and overseas, particularly in the securities, commodities, futures, fixed-income, equity and credit markets;
- general political conditions in Hong Kong, China and overseas, such as macroeconomic and monetary policies, legislation and regulations affecting the financial industry and securities market;
- changes in clients' hedging or speculative trading activities in the markets;
- fluctuations in interest rates and commodity prices;
- change in investors' sentiment, perception and confidence in the financial markets; and
- inflation, natural disasters, riots and acts of war or terrorism.

Fluctuation in the trading volume by our client through our trading system would result in reduced brokerage commissions and fees income, thereby materially and adversely affect our financial conditions and results of operations.

Our brokerage business could be materially and adversely affected by deterioration in the credit quality or default by our clients

As stipulated by HKSCC, brokerage clients shall settle their securities transactions within T+2. However, in the case that any of our clients are unable to settle the transaction within T+2, we will be required to settle on behalf of such clients using our own resources. For details of our Group's accounts receivable from cash clients, see note 21 to the Accountants' Report set out in Appendix I. We need to maintain sufficient resources for the abovementioned settlements and are exposed to potential default in payment by our clients. For futures brokerage, the Futures Exchange sets out the minimum margin deposit required for trading of each futures contract and our clients are required to maintain at all times the minimum margin deposit which may vary from time to time as determined by the Futures Exchange and our policy. When a client is unable to meet a margin call, we will close out the position of the relevant futures contract. Should any outstanding balance in the client's account remain unpaid following the closing of the position of the futures contract or realisation of the collateral which require further recovery efforts, we will suffer a loss.

Although we regularly evaluate our credit exposure to specific clients, default risks could arise from unexpected events or circumstances. There is no assurance that our clients would not default on their obligations to us as a result of bankruptcy, lack of liquidity or other reasons. With respect to clients referred to us by the account executives, even though our responsible account executives have agreed to indemnify us against unsettled trade or margin loan balance due from the relevant clients pursuant to our agreement signed with them, there is also no assurance that the relevant account executives will have sufficient financial resources to compensate us for any loss in case the relevant clients default in his or its obligations. We may also fail to receive all information regarding the financial position of our clients which may impair our ability effectively to detect any prospective default of our clients in the performance of their respective obligations. In the event that our clients fail to meet their payment obligations for the securities transacted through us, our financial conditions and results of operations may be materially and adversely affected.

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 provide margin financing to clients to finance their purchase of securities and provide advances through money lending to clients to address their financing needs. For the years ended 31 December 2014 and 2015 and the three months ended 31 March 2016, our total loan balance for margin financing was HK$411.7 million, HK$2,421.3 million and HK$2,484.6 million, respectively, and our total loan balance for money lending was HK$157.5 million, HK$282.3 million and HK$264.6 million, respectively (among which nil, nil and HK$2.0 million, respectively, was unsecured loan as at the same dates). Our loans and financing services provided to our clients are required to be backed by sufficient collaterals and further security (if any) when we make the loans or advances, except where we agree to provide unsecured loan for money lending client. We maintain a list of approved securities quoted on the Stock Exchange which are eligible as collateral. We may also accept securities traded on foreign exchanges or bonds on a case-by-case basis after review by the management of our Company. In case of margin financing, we will send margin calls to clients where we notice that the ratio of the outstanding margin loan to the value of the collateral provided by the relevant client has reached our approved ratio. We will also issue margin call when the value of the collateral provided by a particular client is considered to be insufficient to cover our exposure with respect to the loan granted to that client. In case of secured money lending, during the term of the loan, if based on our assessment the value of the collateral is considered to be insufficient to cover our exposure or the actual loan-to-value ratio exceeds our approved loan-to-value ratio, we may require our clients to bring the loan-to-value ratio back to our acceptable level. Clients are required to fulfil the margin call (in case of margin financing) or to bring the loan-to-value ratio (in case of money lending) back to an acceptable level by depositing additional funds, selling securities, pledging additional securities to top up the market value of the collateral or providing further security (as the case may be). As at 31 December 2014, 31 December 2015 and 31 March 2016, the total market value of securities pledged as collateral in respect of the loans to margin clients were HK$1,543.5 million, HK$8,940.8 million and HK$8,639.6 million, respectively. During the same period, the total market value of securities pledged as collateral in respect of the secured loans to money lending clients were HK$720.0 million, HK$1,963.6 million and HK$1,881.5 million, respectively.

While we have internal policies and procedures designed to minimise the risk associated with our loans and financing business, as the scale of this business line continues to grow, we are exposed to higher credit risk and hence larger potential loss should we fail to identify and manage the risk effectively. There is no assurance that we will be able to identify potential client's default in a timely manner or that our policies and procedures designed to minimise such risk are adequate or effective. If our client is unable to fulfil our margin calls or meet his or its payment obligations in a timely manner, we may choose to enforce our rights to mandatorily liquidate the securities held by us as collateral or take debt collection action in accordance with our agreement signed with our client and realise the collateral, where necessary. In the event that at the time when we enforce our rights to liquidate or realise the collateral, the market price of collateral held by us decreases significantly or that they become illiquid for whatever reason in a short period of time such that the value of the collateral falls below the value of our loan advanced to our client, we will be exposed to significant losses if we fail to liquidate the positions of our clients in a timely manner. Our ability to sell assets to minimise our loss may be further impaired if other market participants are seeking to sell similar assets at the same time, as is likely to occur in a liquidity stress or other market crisis. For unsecured loan under money lending business, such loan has different risk profile compared to loans that are secured, and our ability to recover from the borrower of unsecured loan upon default is more limited. Upon default of such borrower, we may have to apply for a court order to attach the assets, such as land, property and machinery, of the default borrower and resort to legal proceedings to enforce our unsecured interests against his assets.

Further, as we mainly accept and hold listed securities provided by our clients as collateral in our loans and financing business, this exposes us to concentration risk and market risk which may arise from holding particular assets or asset classes in such business segment. Any significant decline in the market value of such assets may adversely affect our financial conditions and results of operations.

We had negative operating cash flows for the years ended 31 December 2014 and 2015 and may experience the same after [REDACTED]

We recorded net cash used in operating activities of HK$1,063.0 million and HK$1,339.4 million for the years 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, which is capital intensive and involve substantial operating cash outflows. Our fast expansion of margin financing business led to large cash outflow of our operating activities for the years ended 31 December 2014 and 2015, and such trend may continue after [**REDACTED**] as our loans and financing business continues to expand and we plan to allocate 40% of our net [**REDACTED**] from the [**REDACTED**] for developing loans and financing segment.

As we intend to actively expand our loans and financing business, we cannot assure you that we will be able to generate positive cash flows from operating activities in the future. Negative operating cash flows may materially and adversely affect our liquidity and financial conditions, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur financing costs and we cannot assure you that we will be able to obtain the financing on terms acceptable to us, or at all.

Our interest income and expenses may be adversely affected by the fluctuation in interest rates

We generate interest income from our loans and financing business. During the Track Record Period, the interest rates charged by us were determined with reference to, among others, the prevailing market rate (i.e. Hong Kong dollar Prime Rate). Interest income is directly linked to the prevailing market interest rates, and during periods of rising interest rates, our interest income from clients under loans and financing segment would increase. There is no assurance that the Prime Rate will not change dramatically for reasons beyond our control, as a result of which our interest income may fluctuate from time to time. On the other hand, during the Track Record Period, we sourced external borrowing to finance our loans and financing business. We make profit from the interest spread between interest revenue from our loans and financing business and our interest expenses from our bank borrowings. If the source of funding is changed and if interest rates increase significantly, our interest expenses may increase and our return on interest income may decrease, as a result of which our business and results of operations may be adversely affected.

We may incur losses or fail to realise the anticipated returns from our proprietary trading activities as a result of unfavourable market conditions or our failure in predicting the performance of our target investment

For the years ended 31 December 2014 and 2015, we engaged in the trading of debt and equity securities through proprietary funding for our own account and recorded a net gain on financial assets at FVTPL (including interest income and dividend income) of HK$43.4 million and HK$29.4 million, respectively. For the three months ended 31 March 2016 we did not hold any investment under proprietary trading segment and hence, no income was recorded. Subsequent to the Track Record Period, we have been actively seeking appropriate investment opportunity and we acquired and held debt securities with 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. We also plan to allocate 20% of the net [**REDACTED**] from the [**REDACTED**] for development of our proprietary trading business, primarily for investment in fixed-income assets. For details on our proprietary trading activities, see "Business – Our business – Proprietary trading".

Our proprietary trading activities is subject to market volatility, and subsequently, the profitability of these investments generally correlates with the performance of the Hong Kong, China and overseas securities markets. We cannot assure that the profitability of our proprietary trading business will be profitable in the future.

Further, the values of our financial assets are marked to market. Unrealised losses will be recognised if the carrying value of the financial assets is lower than its market value, which will have a negative impact on our results of operations. If we recognise such unrealised losses, our results of operations could be materially and adversely affected.

The performance of our proprietary trading activities primarily depends on our investment decisions and judgment, which are subject to management discretion and assumptions. For investments in financial products, if we fail to evaluate investment products properly or our forecasts of the market do not conform to actual changes in market conditions, our proprietary trading may not achieve the investment returns we anticipated or may even suffer material losses. Such material losses could materially and adversely affect our business, financial conditions and results of operations.

Our investment banking business is subject to various risks associated with underwriting of securities, listing sponsorship and financial advisory

We provide investment banking services, including fund raising services (such as equity and debt securities underwriting), listing sponsorship and financial advisory services. Revenue derived from our investment banking business accounted for 16.8%, 7.0% and 1.8% of our total revenue for the years ended 31 March 2014 and 2015 and the three months ended 31 March 2016, respectively. Fund raising activities such as secondary offering or IPO are generally subject to market conditions, compliance reviews and approvals by the regulators such as the Stock Exchange and the SFC, which are factors beyond our control and such factors may substantially affect or even result in the delay or abortion of the transactions in which we are engaged as an underwriter, placing agent, financial advisor or sponsor. If a project in which we are engaged as an underwriter, placing agent, financial advisor or sponsor is not completed as scheduled or at all for any reason, we may not receive payment for our services in a timely manner, or at all, which may materially and adversely affect our results of operations and financial conditions. In addition, if we fail to sell the securities we have underwritten, we would suffer reputational damage, incur expenditure, expose ourselves to market risk and reduce capital available to us as a result of purchasing and holding the underwritten securities, thereby materially and adversely affecting our results of operations and financial conditions. Further, our commission income on fund raising is directly related to the number of underwriting and placing transactions in which we are involved and/or the size of fund our clients intend to raise. Such factors are susceptible to market conditions which are beyond our control.

The performance of our listing sponsorship and financial advisory business under our investment banking segment depends, to a large extent, on our ability to leverage our business network and relationships to source clients and the general market conditions. Since our sponsor fee and financial advisory fee are negotiated on a project-by-project basis, fees generated therefrom may fluctuate from time to time. There is no assurance that the clients which previously sought advice from us will continue to retain us for future businesses. There is also no assurance that the level of business or amount of fees agreed will be comparable to the transactions effected in the past. If we are not able to win new sizable mandates, or if the market conditions become unfavourable, our business and results of operations may be materially and adversely affected.

Our asset management fees could decline if the investments we manage perform poorly, or our clients withdraw assets we manage or if we lose clients

We receive annual management fees primarily based on the asset size under our management and performance fee based on the return on our investment products. Investment performance affects our AUM and is one of the most important factors in retaining our clients and competing for new asset management business. Limited investment opportunities and hedging strategies in Hong Kong, as well as market volatility, could negatively affect our ability to provide stable returns for our clients, cause us to lose clients and require us to make provisions for the decrease in the value of our investments. Poor investment returns for our clients in our investment management business, due to either general economic and market conditions or underperformance relative to our competitors by the assets or funds that we manage or investment products that we design or sell, could adversely affect our ability to retain existing assets and to attract new clients or additional assets from existing clients. Unsatisfactory investment performance could adversely affect our revenue and growth:

- existing clients might withdraw funds from our asset management business in favour of better performing products provided by our competitors, which would result in lower asset management income for us;

- clients may request that we lower our fees for asset management services, particularly in an intensely competitive industry; and

- our performance fees, which are based on a percentage of investment returns, would decline.

In addition, increasing competition from other securities firms, banks, insurance companies, fund managers and other competitors could prevent us from maintaining or increasing our AUM. We are in the process of developing and growing our asset management business. If we fail to increase our AUM, we may not be able to take advantage of potential benefits, such as economies of scale and investment strategies with larger capital requirements. This lack of scale could adversely affect our ability to compete and our results of operations and financial conditions.

The financial products that we distribute could be risky and/or complex investments and our failure to identify, appreciate or disclose such risks could negatively affect our reputation, client relationships and prospects

We distribute insurance and investment products developed by third-parties. These products often have complex structures and involve various risks, including credit risks, market risks, liquidity risks and counter-party risks. We are required to make appropriate risk disclosure to our potential clients to ensure that financial products to be sold to them match their financial sophistication and risk-return profile. There is no assurance that our risk management policies and procedures would be effective in mitigating the risk exposure of our clients in all market environments or against all kinds of risks. In the event that we fail to identify and fully appreciate such risks or we fail to disclose such risks to our clients or we sell unsuitable products to our clients and our clients suffer financial loss as a result, we may be subject to litigation and/or regulatory actions, and our business, reputation, client relationships and prospects may be materially and adversely affected.

We are subject to various risks associated with our expansion plan

As set out in more details in "Business – Business strategies" and "Future Plans and Use of [**REDACTED**]" in this document, we intend to implement various strategies such as optimising our client base, continuing to enrich our services, enhancing our service capability, and expanding our capital-based intermediary businesses, and we intend to apply the [**REDACTED**] from our [**REDACTED**] to the expansion and development of our various businesses, subject to market conditions. Such plan is formulated based on current intentions and assumptions and the future execution may be subject to capital investment and human resources constraints. Furthermore, our future development plan may be hindered by other factors beyond our control, such as the general market conditions, the performance of the securities market and the economic and political environment in Hong Kong, China and overseas. Therefore, there is no assurance that our expansion plan will materialise in accordance with the timetable, or at all, or will generate the intended benefits to us as initially anticipated.

In addition, as our business and client base continue to expand, our trading volume, the frequency and complexity of the transactions handled by us and our clients' expectation from our services will also increase. To support our business expansion, we have to continually enhance and upgrade our trading and information systems, recruit qualified staff and increase staff training. System enhancements and updates, as well as related trainings, entail significant costs and expose us to the risks associated with implementing and integrating new systems. Any limitation on our trading system and our inability to expand our execution capacity to accommodate our growth could limit our business expansion, thereby adversely affecting our business, results of operations and prospects.

We face increased risks as we offer new products and services, transact with a broader array of clients and counterparties and expose ourselves to new asset classes and markets

As the markets in which we operate continue to evolve, we continue to respond by expanding our business, innovating new products or services and adjusting our strategies accordingly. New business initiatives often result in new products and services or transactions with individuals or entities that are not our traditional clients or counterparties. These business activities expose us to new risks, including credit risk, market risk and counter-party risk, or when dealing with less sophisticated counterparties and investors or dealing in a new market, greater regulatory scrutiny and increased credit and operational and market risks.

We have incurred losses for certain business segments during the Track Record Period and may suffer further loss for certain business segments

We have incurred losses for certain business segments during the Track Record. Segment margin for our proprietary trading segment was -22.4% for the year ended 31 December 2015. For the three months ended 31 March 2016, segment margin for our investment banking and asset management segments were -82.9% and -28.2%, respectively. See "Financial information – Results of operation – Business segment margins" for further details and the underlying reasons for such losses. We cannot assure you we will be able to achieve profitability from our business in the future or at the same level as we did in the past. If we fail to manage the profitability of our business segments, our overall profitability and results of operations may materially and adversely affect.

There is no assurance that we will be able to obtain sufficient capital to fund our business operations, expansion plan and growth in the future, or on acceptable terms

Maintaining adequate liquidity is essential to our business. For the years ended 31 December 2014 and 2015, we recorded negative cash flow in operating activities of HK$1,063.0 million and HK$1,339.4 million, respectively. For details of the reasons attributed to the negative cash flow in operating activities during the Track Record Period, see "Financial Information – Liquidity and capital resources". We rely on bank and other external borrowings to fund a significant portion of our working capital requirements, particularly our loans and financing business which has high capital requirements. There is no assurance that we will be able to obtain adequate financing on acceptable terms, or at all, or to generate sufficient working capital to fund our future operations. Our ability to obtain additional capital on acceptable terms will be subject to a variety of uncertainties, including:

- investor perceptions of and appetite for securities of companies engaged in the industry in which we are operating our business;

- conditions in the capital and financial markets in which we may seek to raise funds;

- our future cashflows, financial conditions and results of operations; and

- economic, political and other conditions in Hong Kong, China and the rest of the world.

We may be required to scale back our planned capital expenditures, which may adversely affect our ability to achieve economies of scale and implement our planned growth strategy. If we raise additional funding, our interest and debt repayment obligations will increase. The terms of any future debt facilities may also impose restrictive covenants that may restrict our business and operations or result in dilution of shareholding of the Shareholders in the case of equity financing. Our inability to raise additional funds in a timely manner and on terms favourable to us, or at all, may have a material adverse effect on our financial conditions, results of operations and prospects.

Our level of indebtedness may materially and adversely affect our business and limit our growth

As of 31 December 2014 and 2015 and 31 July 2016, our total indebtedness amounted to HK$986.5 million, HK$2,416.1 million and HK$3,538.6 million, respectively. Such amount represents the amount drawn by our Group under the banking facilities of HK$1,960.0 million, HK$7,265.0 million and HK$9,365.0 million, respectively, made available to our Group. See "Financial Information – Working capital – Indebtedness" for details. Our financial conditions, liquidity and business operations could be adversely affected to the extent we are unable to repay our debt in a timely manner. Even if we are able to meet our debt service obligations, our level of indebtedness could adversely affect us in a number of ways, including the following:

- limiting our ability to obtain any future financing needed for working capital, strategic investment, debt service requirements or other purposes;

- limiting our flexibility in planning for or reacting to changes in our business;

- placing us at a competitive disadvantage with competitors that have lower levels of debt;

- increasing our financing costs;

- making us more vulnerable to a downturn in our business or the economy generally; subjecting us to the risk of being forced to refinance our debts at higher interest rates; or

- requiring us to use a substantial portion of our cash to pay principal and interest on our debt instead of for other purposes such as working capital and other capital requirements.

Our results of operations may be adversely affected if we lose a large number of existing clients and we fail to expand our client source

For the two years ended 31 December 2014 and 2015 and the three months ended 31 March 2016, our top five clients accounted for, in aggregate, 25.3%, 21.1% and 19.6% of our total revenue. Of our five clients, most of them are based in China and are individual clients. Their level and extent of the business relationship with us are affected by factors such as their financial conditions, market perceptions and risk appetite which are in turn subject to the general economic conditions in China and their respective business performance, which are beyond our control.

Whilst we will continue to diversify our client base, we expect that our results will continue to depend on (a) our ability to continue to secure business from our existing clients and attract new clients; (b) the financial conditions of our clients; and (c) factors that affect Hong Kong and PRC economy in general. There is no assurance that we will be able to successfully diversify our client base or attract new clients or maintain or improve our relationships with our existing clients, who do not have long term commitments with us, and as such any of them may terminate their respective relationships with us. There is also no assurance that we will be able to generate the same or higher level of business and income from our clients as before. Any significant decrease in the level of business with our major clients or loss of a large number of existing clients and our inability to diversify or expand our client base could have an adverse impact on our business, results of operations and prospects.

Our business depends on the continuing efforts of our executive Directors, key senior management and personnel

Our business depends on the continued services of our executive Directors, key senior management and employees. Our executive Directors, together with the support of our senior management team, are principally responsible for strategic planning as well as managing our business development and daily operations. In particular, the skills and expertise contributed by our key executives have played a crucial role in building our success and reputation to date. Therefore, our success is, to a significant extent, attributable to the strategies and visions of our executive Directors as well as our senior management team.

Our ability to compete in our existing market and expand into new market or develop new business line also depends on our ability to retain competent personnel, especially the account executives whose established client network and rich industry know-how have allowed us to effectively expand our client base to date. Given that the competition for competent personnel in the industry is intense, we may not be able to attract or retain the services of key personnel for our business in the future. If we lose any key senior management or key personnel, there is no assurance that we will be able to find suitable replacements in a timely manner, or at all. These personnel may join our competitors which may further intensify market competition. As a result, our operations, prospects and profitability could be materially and adversely affected. In addition, as we continue to expand, we may need to incur additional costs to recruit, train and retain these key personnel to support our business expansion and future plans, which will further increase our staff cost. For example, we recruit from time to time competent investment personnel for managing, monitoring and operating our proprietary trading business, which is expected to expand rapidly in near future along with our business growth. Our inability to recruit or retain competent investment personnel would limit the capacity of our investment team, affect the commercial soundness of our investment decisions and reduce the effectiveness of our risk identification and control, thereby adversely affecting the performance of our proprietary trading segment.

As at 31 March 2016, we had totally 15 Responsible Officers. Under the licensing requirements of the SFO, we must at all times maintain at least two Responsible Officers for each regulated activity. We may be exposed to operational disruptions should a large number 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 licence or imposition of additional licensing conditions and eventually cessation of our business operations. The occurrence of such event will materially and adversely affect our business and results of operations.

Our operations will be materially and adversely affected if we fail to obtain or maintain or renew licences and permits necessary for our business operations

Our business and continuing operations depend upon obtaining and maintaining the necessary approvals, licenses and permits obtained from regulatory authorities. See "Regulatory Overview – Regulatory environment in Hong Kong" for details. We are required to comply with the relevant regulatory requirements and licensing conditions prescribed by regulatory authorities, such as "fit and proper" requirements with respect to our Responsible Officers and Licensed Representatives, financial resources requirements, risk management, corporate governance, professional staff, corporate structure and compliance operations. Our compliance obligations will be subject to scrutiny in particular when we apply for approvals, licenses or permits for conducting new businesses or offering new products. If we fail to continuously comply with such requirements, we may encounter the risks of being sanction by the regulatory authority, imposition of additional licensing conditions, or in the extreme case, disqualified for our existing business or rejected for renewal of our qualifications upon expiry by the regulatory authorities.

In respect of any new business or new product that we contemplate to develop, there is no assurance that we will be able to obtain the relevant approvals, licenses or permits before we launch such new business or product, as we may not possess the required qualification or resources to comply with the relevant regulations. As a result, we may fail to develop our new business as planned or we may fall behind our competitors in such business or lose our existing clients.

We may be exposed to substantial liability as a result of significant legal proceeding or claims against us

We face significant legal risks in our business, and the volume and amount of claims in litigation and regulatory proceedings against licensed corporations could be high. These risks include potential liabilities under securities or other laws for material false or misleading statements made in connection with securities or other transactions, potential liabilities for the advice provided to clients in corporate transactions and possible disputes over the terms and conditions of trading arrangements. We may also be subject to claims for alleged negligent conduct, breach of fiduciary duty or breach of contract. These risks often may be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods of time.

We may be a party to legal proceedings arising from the ordinary course of our business. Actions brought against us may result in settlements, injunctions, fines, penalties or other results adverse to us that could harm our reputation. Even if we are successful in defending ourselves against these actions, the costs of such defence may be significant to us. In market downturns, the number of legal claims and amount of damages sought in litigations and regulatory proceedings may increase. A significant judgment, arbitration award or regulatory action against us, or a disruption in our operation arising from adverse adjudications in proceedings against our Directors, senior management or key personnel would materially and adversely affect our business, financial conditions, results of operations and reputation.

We may fail to effectively detect illegal or improper activities including frauds and money laundering by our Directors, employees, account executives, clients or other third parties

We are subject to the risk of fraud, illegal act or misconduct committed by our Directors, employees, account executives, agents, clients or other third parties. Misconduct includes entering into unauthorised transaction, improperly using or divulging inside information, recommending transactions not suitable for our clients, engaging in fraudulent activities, or engaging in improper or illegal activities or excessive trading to the detriment of us or our clients. There is no assurance that our Directors, employees, account executives, agents, clients or other third parties would not commit incidents of fraud or other misconduct in the future, and such incidents may result in regulatory sanction against us and cause us to suffer financial loss and reputational harm. We may also need to incur costs to commence and participate into any legal proceedings against them to recover our loss.

We are 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 "Guideline on Anti-Money Laundering and Counter-Terrorist Financing" issued by the SFC which has become effective since July 2012. These laws and regulations require us, among other things, to carry out client due diligence and to report suspicious transactions to the applicable regulatory authorities. Whilst we have policies and procedures aiming at detecting and preventing the use of our operations for money laundering activities and other illegal or improper activities, it is not always possible to detect fraud or other misconduct by Directors, employees, account executives, agents, clients or other third parties. Our internal control procedures designed to monitor our regulatory compliance may not be able to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. To the extent that we fail to identify such misconducts or improper activities in a timely manner, or at all, any regulatory sanction or enforcement action against us could adversely affect our business, results of operations and reputation.

Our failure to appropriately identify and address conflicts of interest could materially and adversely affect our business

As we expand the scope of our business and our client base, it is critical for us to be able to address potential conflicts of interest, including situations where two or more interests within our business legitimately exist but are in competition or conflict. We may encounter conflicts of interest arising among (i) our various business units, (ii) our clients and us, (iii) our various clients, (iv) our employees or account executives and us or (v) our clients and our employees or account executives. See "Business – Risk management and internal control – Conflict of interests" for details of our internal policy regarding conflicts of interest.

In light of the complexity and difficulty in appropriately identifying and dealing with potential conflicts of interest, our internal control procedures that are designed to identify and address conflicts of interest may not be sufficient. Our failure to manage conflicts of interest could harm our reputation and erode client confidence in us. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. The occurrence of any of the foregoing events could materially and adversely affect our business, results of operations and reputation.

We may suffer significant losses arising from trading errors in processing transactions, system failure or cyber-attacks

Our brokerage business is dependent on our ability to process and monitor a larger number of transactions, which involves complicated operational procedures and requires stable performance of our trading system. There is no assurance that we will not experience trading errors such as errors in processing client's instructions (incorrect securities name, quantity of the transaction or incorrect buy/sell order, etc.) or incorrect input of client's instructions or client's account number. Any error in processing transactions may adversely affect the markets, our clients and counterparties and our business.

The inability of our systems to accommodate an increasing volume of transactions could also limit our business expansion opportunities. We must continually upgrade our systems to support our operations and growth and to respond to changes in regulations and markets, which could be costly. We must also make significant investments in our system and staff training to ensure that transactions do not violate applicable laws and regulations.

Our operations depend on the secured processing, storage and transmission of confidential and other information in our computer systems and networks and we are vulnerable to unauthorised access such as cyber-attacks, computer viruses or other malicious programs and other events that could lead to a security breach. There is no assurance that our information technology infrastructure will be adequate to prevent all types of unauthorised access such as a cyber-attack, computer viruses or other malicious programs and other events that could disrupt our information technology and operating systems. The occurrence of one or more such events could jeopardise the confidentiality of information processed, stored in and transmitted through our computer systems and networks or otherwise disrupt our operations, which could result in reputational damage, litigation and financial loss.

Our trading, financial, accounting, data processing or other operating systems and facilities may also fail to operate properly or become disabled as a result of events which are wholly or partially beyond our control, such as human error, natural disasters, power failures, computer viruses, cyber-attacks, spam attacks, unauthorised access and data loss or leakage. We also face the risk of operational failure or termination of any of the clearing agents, exchanges, clearing houses or other financial intermediaries that we use to facilitate securities transactions. Any operational failure or termination of the financial intermediaries that we use could adversely affect our ability to execute transactions, service our clients and manage our exposure to risk. Moreover, as our interconnectivity with clients grows, we also face increasing risks related to operational failures and the security of clients' systems.

We have a relatively short track record in our business operation and our historical financial results may not be indicative of our future performance

We began our business in 2012 and recorded significant growth during the Track Record Period. For the years ended 31 December 2014 and 2015, our total revenue increased from HK$120.0 million to HK$364.3 million, respectively, representing a year-to-year growth of 203.6%. Due to the limited operating history and therefore the limited available financial data of our business, there may not be a sufficient basis on which potential investors in the Shares could assess our future results of operations and prospects. As a result, we cannot assure that we will be able to successfully grow our business or generate the same level of profit or revenue as before or as we initially expected. Further, for wealth management business which we have commenced operation since December 2015, as this new line of business is at an early stage of development, given its limited operation history, even though the team is led by our personnel with sufficient industry experience, we cannot assure that we will be able to operate efficiently and accurately estimate its profitability and growth prospects, as well as to effectively identify and manage the risks particular to that business.

We may suffer from potential reputational damage associated with any adverse impact on the reputation or business operations of Industrial Securities

Being an offshore subsidiary of Industrial Securities, our reputation is in part associated with the brand reputation of Industrial Securities. Capitalising on the established reputation and brand influence of Industrial Securities in the PRC, we are able to effectively establish local market presence, increase client's confidence in our services and grow our client base within a short period after commencement of our business in Hong Kong in 2012. However, given our relationship with Industrial Securities, our reputation may be susceptible to any adverse development of or scandal or negative publicity about, or any regulatory enforcement action taken against, Industrial Securities, which are beyond our control.

On 9 July 2016, Industrial Securities published an announcement on the Shanghai Stock Exchange in relation to, amongst others, the result of the investigation conducted by the CSRC, which was related to the breach of Industrial Securities' obligations as a sponsor to a company listed in the PRC. Accordingly, Industrial Securities was fined and a portion of income received from its sponsorship services business and underwriting activities was confiscated by the CSRC. In addition, two of Industrial Securities' sponsor representatives were fined and disqualified from engaging in the securities business by the CSRC. The CSRC has also given a "Class B Grade BBB" rating to Industrial Securities in 2016, compared with the "Class A Grade AA" rating given in 2015. As a result, we may suffer from reputational damage arising from the adverse results of such investigation and enforcement actions taken against Industrial Securities.

Industrial Securities has substantial control over us and its interests may not be aligned with the interests of our other shareholders

Upon completion of the [**REDACTED**], Industrial Securities, Industrial Securities (Hong Kong) and China Industrial Securities International Holdings will remain as our Controlling Shareholders. Our Controlling Shareholders may be able to exert significant influence over our business, including over the election of Directors, the amount and timing of dividends and other distributions, mergers or acquisitions with other entities and other business strategies and policies. The interests of our Controlling Shareholders may not be consistent with the interests of our other Shareholders. To the extent the interests of our Controlling Shareholders conflict with the interests of other Shareholders, the interests of other Shareholders may be disadvantaged or harmed.

Any change in tax laws and regulations may adversely affect our results of operations

We carry out our business operations primarily in Hong Kong and hence, we are subject to the tax laws and regulations in Hong Kong. In addition to Hong Kong, we may also be subject to the taxation in other jurisdiction(s) such as PRC as we trade or invest in the financial products issued in such jurisdiction(s). See note 13 to the Accountant's Report in Appendix I to this document for details. There is no assurance that the prevailing tax laws and regulations applicable to us or our business activities will not be revised or amended in the future. Any revision in or amendment to such tax laws and regulations may have an adverse impact on our results of operation.

The application of HKFRS 9 and its amendments in the future may affect the classification and measurement of our financial assets and financial liabilities

The application of HKFRS 9 and its amendments in the future may affect the amounts reported in respect of our Group's financial assets. The HKICPA, which is responsible for developing and revising accounting standards in Hong Kong, issued HKFRS 9 and its amendments in 2009, 2010, 2013 and 2014, which will take effect on 1 January 2018 and replace the information related to classification, measurement and derecognising of financial assets and financial liabilities under HKAS 39, and give rise to substantial changes in the classification and measurement of financial assets and financial liabilities. The application of HKFRS 9 may have an impact on amounts reported in respect of our Group's financial assets (e.g. impairment on accounts receivable and loans receivable) resulting from early provision of credit losses based on the expected credit loss model. However, it is not practicable to provide a reasonable estimate of that effect until our Group performs a detailed review. For more details, see note 3 to the Accountants' Report in Appendix I to this document.

The application of HKFRS 15 in the future may affect the timing of revenue recognition

The application of HKFRS 15 in the future may affect the timing of revenue recognition. The HKICPA issued HKFRS 15 and its amendment in 2016, which will take effect on 1 January 2018 and supersede the current revenue recognition guidance including HKAS 18, HKAS 11 and the related interpretations. The core principle of HKFRS 15 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 or services. Specifically, the standard introduces a 5-step approach to revenue recognition. More prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. For more details, see note 3 to the Accountants' Report in Appendix I to this document. Our Directors anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported (e.g. revenue generated from investment banking and asset management business) as the financing of revenue recognition may be affected by the new standard. However, it is not practicable to provide a reasonable estimate of that effect of HKFRS 15 until our Group performs a detailed review.

RISKS RELATING TO THE [REDACTED]

[REDACTED]

[**REDACTED**]

[**REDACTED**]