



Excalibur Global Financial Holdings Limited

駿溢環球金融控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8350

# Share Offer

Sole Sponsor



Alliance Capital Partners Limited  
同人融資有限公司

Joint Bookrunners and Joint Lead Managers



Alliance Capital Partners Limited  
同人融資有限公司



聯合證券  
Head & Shoulders Securities

# IMPORTANT

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



## EXCALIBUR GLOBAL FINANCIAL HOLDINGS LIMITED

(駿溢環球金融控股有限公司)

*(Incorporated in the Cayman Islands with limited liability)*

### LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

**Number of Offer Shares :** 200,000,000 Shares (subject to the Offer Size Adjustment Option)  
**Number of Public Offer Shares :** 20,000,000 Shares (including 2,000,000 Employee Reserved Shares) (subject to re-allocation)  
**Number of Placing Shares :** 180,000,000 Shares (subject to re-allocation and Offer Size Adjustment Option)  
**Offer Price :** Not more than HK\$0.425 per Offer Share and expected to be not less than HK\$0.375 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)  
**Nominal value :** HK\$0.01 per Share  
**GEM stock code :** 8350

#### Sole Sponsor



Alliance Capital Partners Limited  
同人融資有限公司

#### Joint Bookrunners and Joint Lead Managers



Alliance Capital Partners Limited  
同人融資有限公司



聯合證券  
Head & Shoulders Securities

#### Co-lead Manager

China Finance KAB Limited

#### Co-Manager

Fortune (HK) Securities Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

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

The Offer Price is expected to be fixed by an agreement between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 4 January 2018 and, in any event, not later than 5:00 p.m. on Friday, 5 January 2018. The Offer Price will be not more than HK\$0.425 and is currently expected to be not less than HK\$0.375 per Offer Share unless otherwise announced.

Applicants for Offer Shares are required to pay, on application, the maximum Offer Price of HK\$0.425 for each Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price as finally determined should be lower than HK\$0.375. If, for any reason, the Offer Price is not agreed by Friday, 5 January 2018 between the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse. In the case of such event, a notice will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.excalibur.com.hk](http://www.excalibur.com.hk).

The Joint Lead Managers (for themselves and on behalf of the Underwriters), may, with our consent, extend or reduce the indicative Offer Price range and/or the number of Offer Shares stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. If this occurs, a notice of the extension or reduction in the indicative Offer Price range and/or the number of Offer Shares will be published on the Stock Exchange website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.excalibur.com.hk](http://www.excalibur.com.hk) not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the section headed "Structure and conditions of the Share Offer" and "How to apply for Public Offer Shares" of this prospectus.

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

Prospective investors of the Offer Shares should note that the Joint Lead Managers (for themselves and on behalf of the Underwriters) is entitled to terminate the obligations under the Underwriting Agreements if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting — Underwriting arrangements and expenses — Grounds for termination" in this prospectus. It is important that prospective investors refer to that section of this prospectus for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law of the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and the applicable laws of each jurisdiction where those offers and sales occurs.

## CHARACTERISTICS OF GEM

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

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

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

## EXPECTED TIMETABLE

If there is any change to the above following timetable relating to the Public Offer, we will make an appropriate announcement on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and on our Company's website at [www.excalibur.com.hk](http://www.excalibur.com.hk) to inform investors accordingly.

### Date (note 1)

Public Offer commences and Application Forms available from ..... Friday, 29 December 2017

Latest time for lodging **PINK** Application Forms  
at our Company's office at Room 2512, COSCO Tower,  
183 Queen's Road Central, Hong Kong ..... 12:00 noon on  
Wednesday, 3 January 2018

Latest time to complete electronic applications under  
the **HK eIPO** White Form service through the designated  
website at [www.hkeipo.hk](http://www.hkeipo.hk) (note 2) ..... 11:30 a.m. on  
Thursday, 4 January 2018

Application lists of the Public Offer open (note 3)..... 11:45 a.m. on  
Thursday, 4 January 2018

Latest time to lodge **WHITE** and **YELLOW**  
Application Forms (note 3)..... 12:00 noon on  
Thursday, 4 January 2018

Latest time to give **electronic application instruction**  
to HKSCC (note 4)..... 12:00 noon on  
Thursday, 4 January 2018

Latest time to complete payment of **HK eIPO White Form**  
applications by effecting internet banking transfer(s) or  
PPS payment transfer(s) ..... 12:00 noon on  
Thursday, 4 January 2018

Application lists of the Public Offer close ..... 12:00 noon on  
Thursday, 4 January 2018

Price Determination Date (note 5)..... on or before 5:00 p.m. on  
Friday, 5 January 2018

(1) Announcement of

- the final Offer Price;
- the level of indication of interest in the Placing,
- the level of applications in the Public Offer and the Employee Preferential Offering
- the basis of allocation of the Public Offer Shares and the Employee Reserved Shares

to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) (note 6) and the website of our Company at [www.excalibur.com.hk](http://www.excalibur.com.hk) (note 7) on or before..... Thursday, 11 January 2018

## EXPECTED TIMETABLE

**Date** (note 1)

- (2) Announcement of results of allocations in the Public Offer and the Employee Preferential Offering (with successful applicants' identification document numbers, where applicable) to be available through a variety of channels including the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) (note 6) and the website of our Company at [www.excalibur.com.hk](http://www.excalibur.com.hk) (note 7) (see the section headed "How to apply for Public Offer Shares — 11. Publication of results" in this prospectus) from ..... Thursday, 11 January 2018

A full announcement of the Public Offer and the Employee Preferential Offering containing (1) and (2) above to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) (note 6) and the website of our Company at [www.excalibur.com.hk](http://www.excalibur.com.hk) (note 7) from ..... Thursday, 11 January 2018

Results of allocations in the Public Offer and the Employee Preferential Offering will be available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID number/Business Registration Number" function from ..... Thursday, 11 January 2018

Despatch/Collection of share certificates in respect of wholly or partially successful applications pursuant to the Public Offer and the Employee Preferential Offering on or before (note 8) ..... Thursday, 11 January 2018

Despatch/Collection of HK eIPO White Form e-Auto Refund payment instructions/refund cheques on or before (note 9) ..... Thursday, 11 January 2018

Dealing in the Shares on GEM to commence at 9:00 a.m. (note 10) on ..... Friday, 12 January 2018

*Notes:*

1. All times and dates refer to Hong Kong local times and dates.
2. You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Thursday, 4 January 2018, the application lists will not open on that day. See the section headed "How to apply for Public Offer Shares — 10. Effect of bad weather on the opening of the application lists" in this prospectus.
4. Applicants who apply for Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Public Offer Shares — 6. Apply by giving **electronic application instructions** to HKSCC via CCASS" in this prospectus.

## EXPECTED TIMETABLE

5. The Price Determination Date is expected to be on or around Thursday, 4 January 2018 (or such later date as agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters)). If the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price on the Price Determination Date, or such later date or time as may be agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will lapse.
6. The announcement will be available for viewing on the “Growth Enterprise Market — Allotment of Results” page on the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.excalibur.com.hk](http://www.excalibur.com.hk).
7. None of the website or any of the information contained on the website forms part of this prospectus.
8. Applicants who apply with **WHITE** Application Forms or through **HK eIPO White Form** service for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by their Application Forms may collect their refund cheques and share certificates (as applicable) in person from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 11 January 2018.

Applicants being individuals who are eligible for personal collection must not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorised representatives bearing a letter of authorisation from their corporation stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) documents acceptable to our Hong Kong Branch Share Registrar.

Applicants who apply with **YELLOW** Application Forms for 1,000,000 or more Public Offer Shares under the Public Offer and have provided all information required by their Application Forms, they may collect their refund cheques (where relevant) in person but may not collect their share certificates, which will be deposited into CCASS for credit to their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Uncollected share certificates (if applicable) and refund cheques (if applicable) will be despatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection at the date of despatch of refund cheques as described in the section headed “How to apply for Public Offer Shares — 14. Despatch/collection of share certificates and refund monies” in this prospectus.

9. e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to apply for Public Offer Shares” in this prospectus. Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through a single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions. Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Services Provider, in the form of refund cheques, by ordinary post at their own risk.
10. Share certificates for the Offer Shares allotted and issued to the placees are expected to be deposited directly into CCASS on or about Thursday, 11 January 2018 for credit to the relevant CCASS Participants’ or the CCASS Investor Participants’ stock accounts designated by the Joint Lead Manager (for themselves and on behalf of the Underwriters), the placees or their agents (as the case may be). No temporary documents or evidence of title will be issued by our Company.

## EXPECTED TIMETABLE

For further details on the structure and conditions of the Share Offer, you should refer to the section headed “Structure and conditions of the Share Offer” in this prospectus.

Share certificates will only become valid certificates of title of the shares to which they relate at 8:00 a.m. (Hong Kong time) on the Listing Date provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms as described in the section headed “Underwriting — Grounds for termination” in this prospectus. Investors who trade the Shares on the basis of publicly available allocation details prior to the receipt of the share certificate becoming valid certificates of title do so entirely at their own risk.

If there is any change to the above expected timetable, we will make an appropriate announcement on the website of the Stock Exchange [www.hkexnews.hk](http://www.hkexnews.hk) and on the website of our Company at [www.excalibur.com.hk](http://www.excalibur.com.hk) to inform investors accordingly.

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.*

*You should rely only on the information contained in this prospectus to make your investment decision. Our Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained in this prospectus must not be relied on by you as having been authorised by our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, agents, affiliates or representatives, or any other person or party involved in the Share Offer.*

*The contents of our Company's website at [www.excalibur.com.hk](http://www.excalibur.com.hk) do not form part of this prospectus.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all of the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole prospectus before you decide to invest in the Offer Shares.*

*There are risks associated with any investment in the Offer Shares. Some of the particular risks associated with an investment in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

We have been a provider of futures brokerage services in Hong Kong to our clients since 1994 and we currently provide our clients with access to locally and globally traded futures and options products. Our business is carried out through the Company's wholly-owned subsidiary, Excalibur Global HK, which is a corporation licensed with the SFC to carry out type 2 (dealing in futures contracts) and type 5 (advising on futures contract) regulated activities in Hong Kong. Excalibur Global HK is also licensed with the SFC to carry out type 1 (dealing in securities) regulated activity in Hong Kong, although currently the licence only allows it to introduce clients to other licensed securities brokerages in Hong Kong.

We generate revenue primarily from the brokerage fees we charge our clients (comprising of mainly retail investors who reside in Hong Kong and Mainland China) for executing and/or arranging the execution of trades of futures and options products over our online trading platform. We also generate a nominal amount of revenue from acting as introducing agent to a licensed securities brokerage in Hong Kong. We do not charge our clients for the advisory services we provide.

In terms of brokerage fees generated from futures products traded by our clients, brokerage fees generated from the broking of:

- (i) energy futures (listed on IPE and NYMEX) and index futures and options (traded on various futures exchanges including the HKFE, the CME Group, EUREX, LIFFE, TCE and SGC) attributed to approximately 51.5% and 33.7% of our total revenue respectively in FY2016, and approximately 50.2% and 27.5% of our total revenue respectively in 1H2017, being our key futures and options products in terms of brokerage income; and

#### Product category

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Energy futures	17,704	40.8	21,014	51.5	15,083	58.3	6,836	50.2
Index futures and options	15,701	36.2	13,735	33.7	7,692	29.7	3,743	27.5
Forex futures	3,430	7.9	2,056	5.0	842	3.2	1,156	8.5
Other futures	6,589	15.1	3,971	9.8	2,232	8.8	1,873	13.8
<b>Total</b>	<b>43,424</b>	<b>100.0</b>	<b>40,776</b>	<b>100.0</b>	<b>25,849</b>	<b>100.0</b>	<b>13,608</b>	<b>100.0</b>

- (ii) products traded over member exchanges of the CME Group and the HKFE accounted for approximately 67.7% and 30.4% of our total revenue respectively in FY2016, and approximately 74.6% and 23.3% of our total revenue respectively in 1H2017, being the key futures exchanges on which our clients carried out trading.

#### Exchange market

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
CME Group	26,157	60.3	27,605	67.7	18,543	71.8	10,146	74.6
HKFE	12,131	27.9	12,393	30.4	6,904	26.7	3,165	23.3
Other exchange market	5,136	11.8	778	1.9	402	1.5	297	2.1
<b>Total</b>	<b>43,424</b>	<b>100.0</b>	<b>40,776</b>	<b>100.0</b>	<b>25,849</b>	<b>100.0</b>	<b>13,608</b>	<b>100.0</b>

## SUMMARY

Our revenue decreased by approximately HK\$2.6 million from approximately HK\$43.4 million in FY2015 to approximately HK\$40.8 million in FY2016. Our profit before tax (without taking into account Listing expenses in the amount of approximately HK\$8.8 million) increased by approximately HK\$1.8 million from approximately HK\$22.5 million in FY2015 to approximately HK\$24.3 million in FY2016 mainly due to a significant reduction in our marketing expenses of approximately HK\$3.8 million (as we have determined to internalise our marketing efforts in lieu of the engagement of an external PRC marketing consultant).

Our revenue decreased by approximately HK\$12.2 million from approximately HK\$25.8 million for 1H2016 to approximately HK\$13.6 million in 1H2017. Our profit before tax (without taking into account Listing expenses in the amount of approximately HK\$1.8 million and HK\$4.0 million which has been charged to and reflected in our combined statements of profit or loss for 1H2016 and 1H2017 respectively) decreased by approximately HK\$12.0 million from HK\$17.3 million for 1H2016 to HK\$5.3 million in 1H2017 mainly due to a reduction in revenue in the amount of approximately HK\$12.2 million which resulted from (i) a significant decrease in trading activity by some of our Hong Kong clients; in particular, Mr. Lui, our largest client over the Track Record Period who had generally traded products in which we charge a higher brokerage rate, had significantly decreased his trading activities in 1H2017, causing revenue generated from his trading activities to drop from approximately HK\$8.0 million in 1H2016 to approximately HK\$0.5 million in 1H2017; and (ii) a change in the trading preference of our clients to products which we generally charge lower brokerage fees.

Our operations are primarily carried out in our leased office located at Room 2512, COSCO Tower, 183 Queen's Road Central, Hong Kong.

### OUR BUSINESS MODEL

#### Futures brokerage

We provide our clients with access to a wide variety of futures products through our online trading platform, including (i) products (including HSI and mini-HSI indexes and options) listed on HKFE, the local futures exchange; and (ii) a variety of index futures and options, energy futures, forex futures, precious metal futures, agricultural futures, industrial metal futures, rubber futures and other futures listed on other major global futures exchanges (including member exchanges of the CME Group and the ICE Group, LME, SGX, EUREX and TCE).

We are a HKFE Participant and we hold trading rights to execute client trade orders in respect of products listed on the HKFE. We do not hold trading rights with other global futures exchanges but rather rely on our relationships and arrangements with overseas brokers (with trading rights on the relevant futures exchanges) for the execution of client trade orders in relation to products listed on overseas futures exchanges.

All our clients and their trading accounts are managed by our licensed representatives, comprising three full-time Staff AEs (who are paid on a fixed salary) and five Self-Employed AEs (who are remunerated on a commission basis). The employment of Self-Employed AEs is in line with industry practice and enables us to broaden our business network and target a greater number of potential clients.

We generally do not engage in price competition with our competitors nor do we offer plans, such as monthly-fixed charge plans or commission ceiling plans. As such, we may not necessarily set the lowest price offered in the market when determining our commission rate but rather take into account, among other things, the premium our clients are willing to pay for reliable and personalised services and speedy access to markets through our online trading platform. Depending on the type of futures products and the exchanges on which they are traded, our brokerage fee per futures contract traded ranged from HK\$3.9 to HK\$389.3 over the Track Record Period.

Our clients are mainly retail investors who reside in Hong Kong and Mainland China. Approximately 54.5%, 62.2% and 63.8% of our clients in FY2015, FY2016 and 1H2017 respectively reside in Mainland China, and as such, a key part of our marketing strategy is geared towards marketing our services and investor education in Mainland China (initially targeting regions in the Pearl River Delta Area), including through interactive workshops, competitions, sharing sessions as well as collaboration with PRC futures brokerage firms for the organisation of seminars.

Our (i) five largest client in aggregate accounted for approximately 35.0%, 44.7% and 46.3% of the Group's revenue for FY2015, FY2016 and 1H2017 respectively; and (ii) top 30 clients accounted for approximately 67.4%, 67.8% and 79.3% of the Group's revenue for FY2015, FY2016 and 1H2017 respectively. Despite the concentration of revenue from our largest clients, this is consistent with our business strategy to attract high net worth individuals and high frequency traders, and the composition of our largest clients may change over time in line with their investment outlook and preferences.

## SUMMARY

Revenue generated from the broking of trades carried out by Mr. Lui, our largest client of the Group during the Track Record Period, increased significantly from approximately HK\$5.1 million (11.8% of revenue) in FY2015 to approximately HK\$9.4 million (23.0% of revenue) in FY2016. However, revenue generated from the broking of trades carried out by Mr. Lui decreased to HK\$0.5 million (3.4% of revenue) in 1H2017. As far as our Directors are aware, there has not been any material adverse change in the business relationship between our Group and Mr. Lui. For details of key products traded by Mr. Lui over the Track Record Period, please refer to the paragraph headed “Our major clients — Our top 5 clients” in the “Business” section of this prospectus.

During the Track Record Period, we generated brokerage income from clients who are related to our Group. For details of these related persons, please refer to the paragraph headed “Major clients who are related to our Group” in the “Business” section of this prospectus. The following table sets forth the commission income from such related persons during the period as indicated:

	<b>FY2015</b> <i>HK\$'000</i>	<b>FY2016</b> <i>HK\$'000</i>	<b>1H2017</b> <i>HK\$'000</i>
Connected persons (Mr. Chan and Team Success)	745	—	—
Existing staff	103	—	—
Previous staff (Mr. Lau)	1,061	136	—
Self-employed AEs (own account)	57	45	2
Self-employed AEs (Sub-accounts)	425	300	84
Mr. Lui	5,144	9,360	463
Mr. Lin Ke (sole shareholder of Joinbest)	227	987	671
Total	7,762	10,828	1,220

Our major service providers include (i) an independent software vendor, who provides a software interface to support our online trading platform; (ii) overseas brokerage firms, who assist in facilitating client trades of products listed on overseas futures exchanges; and (iii) Internet service providers, who provide Internet connectivity services to link up our online trading platform with the HKEx Group as well as overseas brokers and futures exchanges.

### **Futures contracts advisory**

We advise our clients from time to time in terms of, among other things, margin maintenance requirements in respect of outstanding futures contracts as well as how to manage their open positions during periods of volatility in the financial and commodity markets.

We also facilitate some of our Self-Employed AEs in their provision of on-site training relating to futures trading to students (as part of the educational programmes or courses organised by them and/or third party institutions independently of our Group) by making available our trading facilities and equipment to them. We currently do not issue any research materials or market analysis to our clients.

### **Acting as introducing agent**

We introduce our clients who wish to deal in securities to Head & Shoulders Securities Limited, a local licensed securities brokerage firm. Referrals are made pursuant to the terms of an agent agreement we have entered with Head & Shoulders Securities Limited. The amount of revenue generated from such activity was not material over the Track Record Period.

### **OUR COMPETITIVE STRENGTHS**

Our Directors believe that the following competitive strengths, details of which are set out in the section headed “Business — Our competitive strengths” in this prospectus, contribute to our success:

- our efficient, integrated and stable online trading platform and IT systems which provide our clients with speedy and secure market access;
- the provision of personalised services to clients by experienced AEs with in-depth knowledge of futures and option products and market operations;
- an experienced management team with valuable knowledge and insight in the futures industry and a dedicated AE team to manage our clients and their trading accounts;
- our reputation as a professional and reliable futures brokerage firm and our clients’ confidence in our brokerage capabilities; and
- our streamlined and efficient organisational structure appropriate for our scale of operations.

## SUMMARY

### OUR BUSINESS STRATEGIES

Our goal is to further strengthen and consolidate our position as a trusted and reliable provider of futures brokerage services in Hong Kong. We also intend to capitalise on opportunities arising from, among other things, PRC government initiatives and reforms as well as an increase in the number of sophisticated investors and HNWI's in the PRC. To achieve these goals and objectives, we intend to adopt the following business strategies (details of which are set out in the section headed "Business — Our business strategies" of this prospectus):

- enhance our marketing resources in the PRC to capture opportunities from an increase in demand and appetite for futures investments in the PRC (including the establishment of an office in Qianhai to launch our marketing campaign in the PRC);
- increase our financial and operational transparency and accountability as well as enhance our profile and brand visibility through the Listing;
- sustain our competitiveness among local futures brokerages through enhancing our online trading system and IT infrastructure (to ensure our clients are provided with seamless and speedy access to the futures market);
- continue to expand our product offerings to our clients including, among other things, to commence offering broking services relating to stock options to our clients and to allow them to acquire these products on a margin basis; and
- increase our manpower to provide more customised and value-added services (including the establishment of a research department to issue research reports, regular updates and market commentaries to our clients).

### KEY OPERATIONAL AND FINANCIAL DATA

The following table sets forth a summary of the combined results of our Group during the Track Record Period, which have been extracted from, and should be read in conjunction with the section headed "Financial information" and the financial information included in the Accountants' Report set out in Appendix I to this prospectus, including the notes thereto.

#### Highlights of consolidated statement of profit or loss

	FY2015 <i>HK\$'000</i>	FY2016 <i>HK\$'000</i>	1H2016 <i>HK\$'000</i> (unaudited)	1H2017 <i>HK\$'000</i> (unaudited)
<b>Revenue</b>	43,424	40,776	25,849	13,608
Other net (loss)/income	(350)	196	171	128
Gain on disposal of a subsidiary	22	—	—	—
Salaries and other benefits	(4,296)	(5,051)	(2,470)	(2,632)
Other operating and administrative expenses	(16,335)	(11,660)	(6,221)	(5,838)
Listing expenses	—	(8,838)	(1,814)	(4,065)
<b>Profit before tax</b>	<u>22,465</u>	<u>15,423</u>	<u>15,515</u>	<u>1,201</u>
Income tax expense	(3,547)	(3,635)	(2,606)	(914)
<b>Profit for the year/period</b>	<u><u>18,918</u></u>	<u><u>11,788</u></u>	<u><u>12,909</u></u>	<u><u>287</u></u>

Our revenue decreased by approximately 6.1% from approximately HK\$43.4 million in FY2015 to approximately HK\$40.8 million in FY2016. This decline in FY2016 was mainly due to a decrease in the amount of brokerage fees generated from broking clients' trades in index futures and options, forex futures, industrial metal futures which was partially offset by an increase in the amount of brokerage fees generated from broking clients' trades in energy futures.

Compared to FY2015, our after-tax profit in FY2016 decreased by approximately HK\$7.1 million to HK\$11.8 million. This was mainly due to the incurrence of Listing expenses in the amount of approximately HK\$8.8 million which was partially offset by a decrease in our marketing expenses of approximately HK\$3.8 million.

Compared to 1H2016, our revenue in 1H2017 decreased by approximately 47.4% to approximately HK\$13.6 million. This decline was primarily due to (i) a significant decrease in trading activity by some of our Hong Kong clients; in particular, Mr. Lui, a client who had contributed the most revenue to the Group over the Track Record Period and who had generally traded products in which we charge a higher brokerage rate, had significantly decreased his trading activities in 1H2017, causing revenue generated from his trading activities to drop from approximately HK\$8.0 million in 1H2016 to approximately HK\$0.5 million in 1H2017; and (ii) a change in the trading preference of our clients to products which

## SUMMARY

we generally charge lower brokerage fees, which had led the decline in our Group's revenue to outpace the decline in futures trading volume during the period. Profit before tax for 1H2017 was approximately HK\$1.2 million, compared to approximately HK\$15.5 million in 1H2016. However, without taking into account Listing expenses for both periods, profit before tax would have been approximately HK\$5.3 million for 1H2017, compared to approximately HK\$17.3 million for 1H2016.

### Highlights of consolidated statements of financial position

	As at 31 December		As at
	2015	2016	30 June 2017
	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS AND LIABILITIES</b>			
Non-current assets	2,106	2,769	2,987
Current assets	42,548	24,179	20,877
Current liabilities	15,244	13,114	9,743
Net current assets	<u>27,304</u>	<u>11,065</u>	<u>11,134</u>
<b>NET ASSETS</b>	<u>29,410</u>	<u>13,834</u>	<u>14,121</u>

Our net current assets decreased from approximately HK\$27.3 million as at 31 December 2015 to approximately HK\$11.1 million as at 31 December 2016. This decrease was mainly attributable to a decrease in cash and cash equivalent of approximately HK\$15.7 million, which resulted from the payment of part of the Listing expenses as well as payment of dividends in FY2016, which was partially offset by an increase in net operating income.

Our current liabilities decreased from approximately HK\$15.2 million as at 31 December 2015 to approximately HK\$13.1 million as at 31 December 2016 primarily due to a decrease in our current tax liabilities.

As at 30 June 2017, our Group had net assets of approximately HK\$14.1 million, comprising non-current assets of approximately HK\$3.0 million, total current assets of approximately HK\$20.9 million and total current liabilities of approximately HK\$9.7 million. Our net current assets remained stable at approximately HK\$11.1 million as at 31 December 2016 and 30 June 2017 respectively.

### Highlights of consolidated statements of cash flows

	FY2015	FY2016	1H2016	1H2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating cash flows before movement in working capital	22,564	15,564	15,620	1,295
Net cash generated from/(used in) operating activities	22,626	11,674	(8,332)	1,588
Net cash used in investing activities	(114)	(62)	(35)	(22)
Net cash used in financing activity	—	(27,364)	—	(2,577)
Net increase/(decrease) in cash and cash equivalents	<u>22,512</u>	<u>(15,752)</u>	<u>(8,367)</u>	<u>(1,011)</u>
Cash and cash equivalents at the beginning of the year/period	<u>3,712</u>	<u>26,224</u>	<u>26,224</u>	<u>10,472</u>
Cash and cash equivalent at the end of the year/period	<u>26,224</u>	<u>10,472</u>	<u>17,857</u>	<u>9,461</u>

Cash and cash equivalent as at 31 December 2016 decreased to approximately HK\$10.5 million from approximately HK\$26.2 million as at 31 December 2015, mainly due to the payment of dividends in the amount of approximately HK\$27.4 million in FY2016. Our cash and cash equivalents further decreased slightly to approximately HK\$9.5 million as at 30 June 2017. For further details, please refer to the section headed "Financial information — Liquidity and capital resources" of this prospectus.

### Group's commission income from related persons during the Track Record Period and the cash flow requirements under Rule 11.12A(1) of the GEM Listing Rules

Excluding total cash flow derived from brokerage fee income received from (i) major clients who were related to our Group; and (ii) clients who were connected persons or staff of the Group over the Track Record Period, as described in the section headed "Business — Clients who are connected persons or staff of the Group" of this prospectus (collectively "**related persons**"), our Group had approximately HK\$28.4 million in cash flow generated from operating activities in the ordinary and usual course of business before changes in working capital and taxes paid, satisfying the financial requirements for Listing under Rule 11.12A(1) of the GEM Listing Rules.



## SUMMARY

The following table sets out the cash flow analysis of our Group for FY2015 and FY2016, illustrating the cash flow in the ordinary course of business before movements in working capital after excluding cash flows generated by our Group from related persons:

	<b>FY2015</b> <i>HK\$'000</i>	<b>FY2016</b> <i>HK\$'000</i>	<b>Total</b> <i>HK'000</i>
<b>Cash flow</b>	<u>22,564</u>	<u>15,565</u>	<u>38,129</u>
Add:			
Listing expenses	—	8,838	8,838
Less ( <i>Note</i> )			
Connected persons (Mr. Chan and Team Success)	(745)	—	(745)
Existing staff	(103)	—	(103)
Previous staff (Mr. Lau)	(1,061)	(136)	(1,197)
Self-employed AEs (own account)	(57)	(45)	(102)
Self-employed AEs (Sub-accounts)	(425)	(300)	(725)
Mr. Lui	(5,144)	(9,360)	(14,504)
Mr. Lin Ke (sole shareholder of Joinbest)	(227)	(987)	(1,214)
<b>Total cash flow (excluding transactions with related persons)</b>	<u><u>14,802</u></u>	<u><u>13,575</u></u>	<u><u>28,377</u></u>

*Note:* The above cash flow is calculated based on commission revenue generated by the relevant persons during the Track Record Period, without adding back related expenses incurred for generating the relevant revenue.

### Key financial ratios

	<b>As at</b> <b>31 December</b> <b>2015</b>	<b>As at</b> <b>31 December</b> <b>2016</b>	<b>As at</b> <b>30 June</b> <b>2017</b>
Current ratio	2.8 times	1.8 times	2.1 times
Quick ratio	2.8 times	1.8 times	2.1 times
	<b>FY2015</b>	<b>FY2016</b>	<b>1H2017</b>
Net profit margin	43.6%	28.9%	2.1%
Return on equity	64.3%	85.2%	N/A
Return on assets	42.4%	43.7%	N/A

For further details of our key financial ratios, please refer to the section headed “Financial information — Key financial ratios” in this prospectus.

Our net profit margin decreased from approximately 43.6% for FY2015 to approximately 28.9% for FY2016 and further decreased to approximately 2.1% in 1H2017. Had we deducted Listing expenses for the Track Record Period, our net profit margins would have been approximately 43.6%, 50.6% and 32.0% respectively.

### REASONS FOR THE SHARE OFFER AND THE LISTING

#### Reasons for the Share Offer

While our Group is currently an active player in the Hong Kong futures brokerage services market, our Directors believe that the Share Offer and the use of net proceeds therefrom will facilitate the implementation of our business plan for achieving our business strategies (as set out in the paragraph headed “Our business strategies” in this section and the “Business” section of this prospectus).

Our Directors believe that the successful implementation of the foregoing business strategies and objectives will be conducive to strengthening our market position, raising our profile and the visibility of our brand, and increasing our competitiveness in the futures brokerage industry, which may in turn assist us to secure more clients.

Our Directors believe that the offering of Shares under the Share Offer is an appropriate method of capital raising for our Group to achieve our business objectives and strategies, in particular as alternative methods of raising funds (such as debt financing by way of bank borrowings) will not assist us in satisfying the statutory liquid capital requirement applicable to our Group as prescribed by the FRR.

#### Reasons for the Listing

Our Directors believe that a Listing on the GEM would (i) enable our Group to access the capital market for the future growth of our business; and (ii) enhance the financial and operational transparency of our operations, thereby increasing the confidence of potential clients in our Group.

## SUMMARY

### FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Share Offer (after deducting the estimated underwriting commission and other estimated expenses payable by us in connection to the Share Offer), assuming an Offer Price of HK\$0.4 per Offer Share, being the mid-point of our indicative Offer Price range between HK\$0.375 and HK\$0.425 per Offer Share, will be approximately HK\$49.6 million (“**Net Proceeds**”), assuming that the Offer Size Adjustment Option is not exercised. We currently intend to apply the net proceeds in the following matter:

- (i) approximately 44.5% of the total estimated Net Proceeds, or approximately HK\$22.1 million, will be used for enhancing our marketing resources in the PRC;
- (ii) approximately 28.5% of the total estimated Net Proceeds, or approximately HK\$14.1 million, will be used for establishing and commencing our stock options business and to provide margin financing to clients. Of the HK\$14.1 million, approximately HK\$9 million would be used as working capital for providing margin financing in respect of stock option products;
- (iii) approximately 14.6% of the total estimated Net Proceeds, or approximately HK\$7.2 million, will be used for enhancing the IT capability of the Group; and
- (iv) approximately 12.4% total estimated Net Proceeds, or approximately HK\$6.1 million, will be used to expand of the our manpower for providing more customised client services and to strengthen our human resources.

For further information in relation to our proposed use of proceeds, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

### DIVIDENDS

In FY2016, we declared and paid dividend in the amount of approximately HK\$27.4 million. Investors should note that historical dividend distributions are not indicative of our Group’s future dividend distribution policy.

Our Directors will declare any dividends with respect to Shares on a per-Share basis in Hong Kong dollars. The amount of dividends which will be declared and distributed shall be based on a profit distribution plan formulated by the Board and is subject to factors such as the ability of our licensed entities to meet liquid capital requirements, the obtaining of Shareholders’ approval and other restrictions, including those under the Companies Act and set out in our Articles.

We cannot assure you that we will declare or pay a target amount, or any amount, of dividends in the future. Where we are unable to pay dividends for any financial year following the Listing, we will disclose the reasons for failing to do so in our financial reports in the relevant year.

Currently, we do not expect to pay dividends in the year ending 31 December 2017 as we intend to use the net proceeds from the Share Offer and our distributable reserves for significant investment and capital expenditure as outlined in our business plan as set out in the section headed “Future plans and use of proceeds” in this prospectus.

### SHARE OFFER STATISTICS

The information in the following table is based on the assumption that the Offer Size Adjustment Option has not been exercised. The Offer Price per Offer Share is expected to be not more than HK\$0.425 and is expected to be no less than HK\$0.375.

	<b>Based on the Offer Price of HK\$0.375 per Share</b>	<b>Based on the Offer Price of HK\$0.425 per Share</b>
Market capitalisation upon Listing ( <i>Note 1</i> )	HK\$300 million	HK\$340 million
Offer size	HK\$75 million	HK\$85 million
Number of Offer Shares	200,000,000 Shares	200,000,000 Shares
Board lot	8,000 Shares	8,000 Shares
Unaudited pro forma adjusted combined net tangible assets of our Group per Share ( <i>Note</i> )	HK\$0.087	HK\$0.100

*Notes:*

1. The calculation of the market capitalisation of our Shares is based on 800,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer.
2. The unaudited pro forma adjusted combined net tangible assets of our Group per Share has been arrived at with reference to certain estimation and adjustment. Please refer to Appendix II to this prospectus for further details.



## SUMMARY

### SHAREHOLDER INFORMATION

On 27 October 2017, Mr. Poon and Mr. Chan entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they had been parties acting in concert in respect of each of the members of our Group during and in the period subsequent to the Track Record Period on a continuing basis. Details of the Concert Parties Confirmatory Deed are set out in the paragraph headed “History, Reorganisation and corporate structure — Parties acting in concert” in this prospectus.

As Mr. Poon and Mr. Chan are concert parties whose acting in concert arrangements have been confirmed and documented in the Concert Parties Confirmatory Deed, immediately following completion of the Capitalisation Issue and Share Offer (assuming that the Offer Size Adjustment Option is not exercised and no Share is issued pursuant to the exercise of options which may be granted under the Share Option Scheme), they will together be interested in 72.0% of the issued share capital of our Company, with (i) Mr. Poon holding 36.0000075% of the total issued share capital of our Company on a standalone basis; and (ii) Mr. Chan holding 35.9999925% of the total issued share capital of our Company on a standalone basis. By virtue of the acting in concert arrangement, Mr. Poon and Mr. Chan are a group of Controlling Shareholders. For details regarding the shareholding interest of the Controlling Shareholders, please refer to the section headed “Substantial Shareholders” in this prospectus.

Our Controlling Shareholders have confirmed that neither of them nor their respective associates are interested in any business which competes or are likely to compete, directly or indirectly with the business of our Group. Our Controlling Shareholders, Mr. Poon and Mr. Chan, are both executive Directors of our Company. For further details, please refer to the paragraphs headed “Directors, senior management and staff — Directors — Executive Directors” in this prospectus.

### PRINCIPAL RISK FACTORS

There are certain risks involved in our operations, amongst which, relatively material risks include the following:

- we generate a material portion of our revenues from our top 30 clients and as such, any material decrease or loss of business from our top 30 clients (due to their change in investment preference or otherwise) will materially and adversely affect our operations;
- due to the nature of our business, we may suffer financial losses as a result of our clients’ failure to meet margin calls;
- our operating income is reliant to a material extent on investor outlook;
- a majority of our trades are placed directly through our online trading platform and, as such, any failure to maintain an efficient and reliable IT infrastructure and online trading platform may materially and adversely affect our business;
- the financial services industry in Hong Kong is highly regulated and we are subject to extensive regulatory requirements, non-compliance with which, or changes in these regulatory requirements, may affect our business operations and financial results;
- our financial performance and results of operations for the year ending 31 December 2017 will be materially and adversely affected by expenditures which we expect to incur for the implementation of our future plans; and
- our expansion plan relating to the commencement of stock options brokerage and margin financing business may expose our Group to additional credit and compliance risks and may not necessarily be profitable despite the proposed expenditure of upfront costs.

Any of the above risks and other risks set out in the “Risk Factors” section of this prospectus may materially and adversely affect our business, financial conditions and/or results of operations.

### COMPETITIVE LANDSCAPE

According to the Industry Report, as 31 December 2016 and the Latest Practicable Date, there were 232 and 239 trading right holders registered with the HKFE, comprising 180 and 186 trading HKFE Participants. These include international large-scale investment banks, PRC-funded brokerage companies and local brokerage companies. Local brokerage companies represent the largest group, which accounted for 76.1% of the total number of market players in 2016.

Given the large number of local future brokerages, competition is vigorous and brokerages generally compete in terms of pricing, quality of services, reliability and speed of their online trading platforms, pool of talent, experience of their brokers, reputation, client base and network.

## SUMMARY

Given the integration arrangements between and among brokerages which enable investors from around the globe to trade in futures exchanges in different jurisdictions, Excalibur Global HK competes with brokerages firms from around the world for market share in terms of volume of trade executed through relevant exchanges. Its market share is therefore not significant. In particular, based on available information, Excalibur Global HK:

- (i) ranked 57th, 49th, 88th and 44th in terms of execution volume of HSI Futures, HSI Options, H-share Index Futures and H-share Index Options respectively over the second quarter of 2017, with a market share of less than 0.3% of the total market share for each of these product; and
- (ii) has a market share of 0.24% in terms of total notional turnover of brokerage fees and commission income generated by all brokerage firms who facilitate trades over HKFE, LME, SGX and the CME Group (being the exchanges on which the Group generated approximately 99.3% of its revenue through broking activities) in FY2016.

### RISK MANAGEMENT AND INTERNAL CONTROL

We have established risk management structures and policies and implemented various 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. For details, please refer to the section headed “Business — Risk management and internal control procedures” in this prospectus. We engaged an independent internal control consultant to conduct review on our Group in June 2016. For details, please refer to the paragraph headed “Internal control procedures” in the “Business” section of the prospectus.

### LEGAL COMPLIANCE AND PROCEEDINGS

Our legal advisers have confirmed that our Group has obtained all necessary licences, permits, trading rights and certificates necessary for the carrying on of our business operations, and that such licenses, permits, approvals and certificates are valid and subsisting, and have not been suspended or revoked.

During the Track Record Period, the SFC has identified certain internal control deficiencies and instances of non-compliance following a limited review of the business activities of Excalibur Global HK, our major operating subsidiary, in July 2015. In addition, Excalibur Global HK, had failed to fully comply with FRR requirements under the SFO prior to the Track Record Period. These included a review on, and identification of compliance irregularities in respect of, our Group’s procedures in respect of account opening for clients located the PRC, customer due diligence, anti-money laundering and counter-terrorist financing measures, margin control, handling of client/accounts, computation of liquid capital, deficiencies in client agreement, forms and statement of accounts, record keeping and licensing issues of Excalibur Global HK. Please refer to the section “Business — Regulatory inspection, non-compliances and internal control deficiencies” of this prospectus for further details. Our Group has taken remedial actions in respect of the relevant non-compliance (including implementing the recommendations made by independent internal control consultants) and our Directors are satisfied that there are no further material deficiencies in our internal control system or non-compliance with regulatory requirements.

During the Track Record Period and up to the Latest Practicable Date, no fines or penalties were imposed on any member of our Group for any act or event of non-compliance.

Our Group has not been and were not a party to any material legal, arbitral or administrative proceedings over the Track Record Period and up to the Latest Practicable Date.

### LISTING EXPENSES

The expenses in relation to the Listing (including underwriting commission, professional fees, and other fees incurred in connection with the Listing) to be borne by us are expected to be approximately HK\$30.4 million (assuming an Offer Price of HK\$0.4 per Offer Share, being the midpoint of our indicative Offer Price range between HK\$0.375 and HK\$0.425 per Offer Share), of which (i) approximately HK\$9.2 million is directly attributable to the issue of Offer Shares under the Share Offer and are expected to be accounted for as a reduction from equity; and (ii) the remaining amount of approximately HK\$21.2 million has been or is expected to be reflected in our combined statements of profit or loss, of which approximately HK\$8.8 million were charged for the FY2016 and the remainder of approximately HK\$12.4 million is expected to be recognised for the financial year ended 31 December 2017.

## SUMMARY

Our Directors would like to emphasise that this predicted cost of Listing is a current estimate for reference only. As such, the actual amount may differ from these estimates and the final amount to be recognised in the combined statement of comprehensive income of our Group for the year ending 31 December 2017 is subject to adjustment based on audit and the then changes in variables and assumptions.

Expenses in relation to the Listing are non-recurring in nature. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2017 is expected to be materially and adversely affected by the estimated non-recurring Listing expenses mentioned above, and may possibly result in a loss.

### RECENT DEVELOPMENT

The Directors believe that futures brokerage business of our Group is very much affected by investors' sentiment, perception, confidence and appetite for futures trading amidst prevailing market conditions globally, but in particular in Hong Kong (as the clients of the Group primarily reside in Hong Kong and/or are Mainland Chinese who invest through Hong Kong). Therefore, any significant changes on their sentiment, perception, confidence and appetite for futures trading may have an impact on our financial performance following the Track Record Period.

Subsequent to the Track Record Period and up to the date of this prospectus, we have continued to focus on providing quality and reliable futures brokerage services to our clients as well as continued our marketing efforts in the ordinary course of our business.

Despite the dampened investment appetite in the early months of 1H2017, the prospects of the Group have not been materially and adversely affected and the business outlook of the Group remains positive especially in light of the improvement in market sentiment reflected by the increased trading of futures contracts by our clients, leading to an increase in revenue generated by the Group over the four month period from July to October 2017 averaging approximately HK\$3.4 million per month, as compared to HK\$2.3 million per month during 1H2017. On that basis, the Directors believe that the Group has recovered substantially from the dampened investment sentiment in the early months of 1H2017.

For the four months to 31 October 2017, the number of futures contracts traded by our clients was 159,379, representing a decrease of approximately 20.0% compared to 199,048 for the four-month period to 31 October 2016. The increase in revenue of our Group despite a decrease in the number of futures contracts traded in the four months ended 31 October 2017 compared to the same period in 2016 was mainly due to an increase in the trading of non-HKFE products which we generally charge higher commission rates, which is partially offset by a decrease in the trading of HKFE products which we generally charged lower commission rates.

### Our unaudited results for four months ended 31 October 2017

The following is a summary of key financial information of the Group for the four months ended 31 October 2017 based on our unaudited management accounts.

**Revenue:** Our revenue for the four months ended 31 October 2017 increased by approximately HK\$3.2 million (or approximately 31.4%) as compared to approximately HK\$10.3 million for the same period in 2016. Approximately HK\$11.5 million (or approximately 84.9%) of the revenue for the four months ended 31 October 2017 was derived from the trading of non-HKFE products while approximately HK\$2.0 million (or approximately 14.8%) was derived from the trading of HKFE products.

## SUMMARY

The following table sets out the attribution of key products traded on the trading platform of the Group towards the revenue of the Group over the four months ended 31 October 2016 and 2017 respectively:

	For the four months ended 31 October 2016		2017	
	(HK\$'000)	% of total	(HK\$'000)	% of total
<b>CME Group</b>				
Light Crude Oil Futures	4,016	39.1%	9,608	71.1%
Gold Futures	479	4.7%	1,082	8.0%
Others	<u>1,527</u>	14.8%	<u>781</u>	5.8%
Sub-total	6,022	58.6%	11,471	84.9%
<b>HKFE Group</b>				
Mini HSI Futures	1,174	11.4%	386	2.9%
HSI Futures	2,500	24.3%	1,073	7.9%
Others	<u>542</u>	5.3%	<u>542</u>	4.0%
Sub-total	4,216	41.0%	2,001	14.8%
<b>SGX</b>	13	0.1%	39	0.2%
<b>Other futures exchanges</b>	<u>34</u>	0.3%	<u>1</u>	0.1%
Total	<u><u>10,285</u></u>	100.0%	<u><u>13,512</u></u>	100.0%

**Average gross and net commission rate:** The following table sets out the average brokerage fee per futures contract which Excalibur Global HK charged its clients by category of key futures products traded through us over the Track Record Period and for the four months ended 31 October 2017:

	FY2015		FY2016		1H2017		Four months ended 31 October 2017	
	Gross Commission (HK\$) Average	Net Commission (HK\$) Average	Gross Commission (HK\$) Average	Net Commission (HK\$) Average	Gross Commission (HK\$) Average	Net Commission (HK\$) Average	Gross Commission (HK\$) Average	Net Commission (HK\$) Average
<b>CME Group</b>								
Light Crude Oil Futures	154.2	139.3	156.6	141.7	124.8	109.9	184.6	169.7
Gold Futures	77.0	62.2	102.8	87.9	98.2	83.4	109.5	94.6
<b>HKFE Group</b>								
Mini HSI Futures	9.7	9.7	13.9	13.9	13.7	13.7	9.7	9.7
HSI Futures	38.2	38.2	54.2	54.2	39.3	39.3	54.4	54.4

Generally, our average gross commission and net commission of the above popular and key futures products for the four months to 31 October 2017 increased as compared to 1H2017. Such increase was mainly due to the increase in trading of CME futures products by our existing PRC based clients whom we charge, on average, higher brokerage fees for our services.

**Salaries and other benefits:** Our staff and other benefits remained stable at approximately HK\$1.7 million for the four months ended 31 October 2017 as compared to approximately HK\$1.7 million in the same period in 2016.

**Operating cost:** Our operating cost remained stable at approximately HK\$4.1 million for the four months ended 31 October 2017 as compared to approximately HK\$4.1 million as compared with the same period in 2016.

**Profit before taxation:** Our profit before taxation for the four months ended 31 October 2017 increased by approximately 37 times as compared with the same period in 2016. However, without taking into account Listing expenses for both periods, profit before tax for the four months ended 31 December 2017 would have increased by only approximately 71.4% as compared with that of the same period in 2016.

## SUMMARY

**Profit margin:** A positive net profit margin would be recorded for the four months ended 31 October 2017 as compared with a net loss profit margin that was recorded in the same period of 2016. Had we excluded Listing expenses for both periods, our net profit margin for the four months ended 31 October 2017 would have increased by approximately 29.8% as compared with the same period in 2016.

The unaudited financial information for the ten months ended 31 October 2017 has been derived from our condensed consolidated interim financial statements for the ten months ended 31 October 2017, which has been reviewed by our reporting accountants in accordance with the Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

### **MATERIAL ADVERSE CHANGE**

Taking into account (i) the financial performance of our Group for 1H2017 as described above; (ii) the estimated expenditure of approximately HK\$23.5 million to be incurred during the financial year ending 31 December 2017 for the purpose of implementing our future plans as set out in the section headed “Future plans and use of proceeds” in this prospectus, the benefits of which are only expected to materialise from late 2017 onwards; (iii) the Listing expenses in the amount of approximately HK\$12.4 million expected to be charged to our combined statement of profit or loss the year ending 31 December 2017, it is expected that our Group’s financial performance and results of operations for the financial year ending 31 December 2017 will be materially and adversely affected.

From 1 July 2017 up to the date of this prospectus, we have continued to focus on developing our futures brokerage business. Our Directors confirm that, other than the factors mentioned above, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2017 up to the date of this prospectus. Further, our Directors confirm that there has been no material adverse change in our business operations and our business model has remained stable.

## DEFINITIONS

*In this prospectus, unless the context otherwise requires, the following words and expressions have the following meanings. Certain technical terms are explained in the section headed “Glossary of technical terms” in this prospectus:*

“Accountants’ Report”	the accountants’ report of our Group for the Track Record Period set out in Appendix I of this prospectus
“active account”	an account which has recorded at least one trade (i.e. recorded open and/or close position(s) of futures contract transaction(s)) in the previous twelve months
“active client”	a client whose client account(s) has recorded at least one trade (i.e. recorded open and/or close position(s) of futures contract transaction(s)) in the previous twelve months
“ADMIS”	ADMIS Hong Kong Limited, a brokerage provider of overseas futures contracts
“Application Form(s)”	<b>WHITE, YELLOW, GREEN and PINK</b> application form(s) or, where the context requires, any of them, which is used in relation to the Public Offer
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company adopted on 19 December 2017 and which shall become effective on the Listing Date, a summary of which is set out in Appendix III to this prospectus, and as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Board of Directors” or “Board”	our board of Directors
“Business Day(s)”	any date (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for normal banking business to the public
“BVI”	the British Virgin Islands

## DEFINITIONS

“Capitalisation Issue”	the issue and allotment of 590,000,000 Shares to Mr. Poon, Mr. Chan and Fortune Millennium to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “3. Written resolutions of all Shareholders passed on 19 December 2017” under the section headed “Statutory and general information — A. Further information about our Company and our subsidiaries” in Appendix IV to this prospectus
“CBOT”	Chicago Board of Trade, a futures and options exchange that trades in both agricultural and financial contracts and operates as a designated contract market as a member of the CME Group
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Operational Procedures”	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“CFFE”	China Financial Futures Exchange, a demutualised exchange dedicated to the trading, clearing and settlement of financial futures, options and other derivatives, established in Shanghai in 2006 by the SHFE, ZCE, DCE, the Shanghai Stock Exchange and the Shenzhen Stock Exchange
“China AF”	China AF Corporate Finance Limited (中國農信財務顧問有限公司), formerly known as Royal Excalibur Corporate Finance Company Limited (皇家駿溢財務顧問有限公司), a company incorporated in Hong Kong on 3 August 2015 with limited liability which was previously owned by Mr. Chan prior to August 2016



## DEFINITIONS

“CITIC”	CITIC Telecom International CPC Limited, an internet and co-location services provider, being one of our top five service providers during the Track Record Period
“CME”	Chicago Mercantile Exchange, the financial and commodity derivative exchange and operate as a designated contract market as a member of the CME Group
“CME Group”	CME Group Inc., an American futures company and options and futures exchange headquartered in Chicago, U.S., and for the purpose of this prospectus, includes CBOT, CME, COMEX and NYMEX
“Code of Conduct”	the Code of Conduct for Persons Licensed by or Registered with the SFC issued by the SFC, and as amended, supplemented and/or otherwise modified from time to time
“Code on Corporate Governance Practices”	the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules, and as amended, supplemented and/or otherwise modified from time to time
“Co-lead Manager”	China Finance KAB Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the SFO, being the co-lead manager and an Underwriter in respect of the Public Offer and the Placing
“Co-Manager”	Fortune (HK) Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) regulated activity under the SFO, being the co-lead manager and an Underwriter in respect of the Public Offer
“COMEX”	Commodity Exchange, Inc, a subdivision of the NYMEX specialising in the facilitation of metals futures trading and operate as a designated contract market as a member of the CME Group
“Companies Law” or “Cayman Companies Law”	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) in force with effect from 3 March 2014, as amended, supplemented or otherwise modified from time to time
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time



## DEFINITIONS

“Company”	Excalibur Global Financial Holdings Limited (駿溢環球金融控股有限公司), a company incorporated in the Cayman Islands on 13 July 2016 as an exempted company with limited liability under the Companies Law and registered in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance
“Concert Parties Confirmatory Deed”	the confirmatory deed dated 27 October 2017, entered into by our Controlling Shareholders, namely Mr. Poon and Mr. Chan, to acknowledge and confirm, among other things, that they are parties acting in concert in relation to our Group, details of which are set out on the paragraphs headed “History, Reorganisation and corporate structure — Parties acting in concert” of this prospectus
“connected person(s)”	has the meaning ascribed to it in the GEM Listing Rules
“connected transaction(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Controlling Shareholder(s)”	has the same meaning as defined in the GEM Listing Rules and in the context of this prospectus, by virtue of the acting in concert arrangement between Mr. Poon and Mr. Chan, which is confirmed and documented in the Concert Parties Confirmatory Deed, means the group of Shareholders consisting of Mr. Poon and Mr. Chan. Details of their shareholdings are set forth in the section headed “Relationship with Controlling Shareholders” in this prospectus and the paragraph headed “Disclosure of interests of Directors” under the section headed “Statutory and general information — C. Further information about Directors, management and staff” in Appendix IV to this prospectus
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“DCE”	Dalian Commodity Exchange, a Chinese futures exchange based in Dalian, Liaoning province, China which trades in futures contracts underlined by a variety of agricultural and industrial products
“Deed of Indemnity”	the deed of indemnity dated 19 December 2017 executed by our Controlling Shareholders, as indemnifiers, in favour of our Company (for ourselves and as trustee for each of our subsidiaries) relating to, among other matters, the tax liabilities of the Group, particulars of which are set out in the paragraph headed “1. Tax and other indemnities” under the section headed “Statutory and general information — E. Other information” in Appendix IV to this prospectus

## DEFINITIONS

“Deed of Non-competition”	the deed of non-competition dated 19 December 2017 given by the Controlling Shareholders in favour of our Company (for ourselves and as trustee for each of our subsidiaries) pursuant to which each of the Controlling Shareholders agreed to provide certain non-competition undertakings to our Company (for ourselves and as trustee for each of our subsidiaries), particulars of which are set out in the section headed “Relationship with Controlling Shareholders — Non-competition undertakings” of this prospectus
“Director(s)”	the director(s) of our Company
“Eligible Employee(s)”	an full-time employee of our Group who joined our Group on or before the Latest Practicable Date and who: (a) is at least 18 years of age; (b) has a Hong Kong address and is a holder of Hong Kong Identity Card; (c) remains as a full-time employee of our Group as at the Latest Practicable Date; (d) has not tendered his/her resignation or been given notice of termination of employment for any reason other than redundancy or retirement on or before the Latest Practicable Date; (e) not a director or chief executive of our Company and/or any of its subsidiaries; (f) not an existing beneficial owner of Shares or of shares of any of the subsidiaries of our Company; (g) is not a connected person of our Company; and (h) is not an associate or close associate, where applicable, of the persons listed in (e), (f) and/or (g) above
“Employee Preferential Offering”	the preferential offer of the Employee Reserved Shares to the Eligible Employees for subscription at the Offer Price on a preferential basis as to allocation only, as further described in the section headed “Structure and conditions of the Share Offer — The Employee Preferential Offering” of this Prospectus
“Employee Reserved Shares”	the 2,000,000 Offer Shares (representing 10% of the total number of Offer Shares initially being offered under the Public Offer), being offered pursuant to the Employee Preferential Offering and which are to be allocated out of the Public Offer Shares
“ESH”	Excalibur Securities (Holdings) Limited (加利保証券(集團)有限公司), formerly known as Bonder Investment Limited (邦狄投資有限公司), a company incorporated in Hong Kong on 14 July 1992 with limited liability and dissolved by striking off pursuant to section 291(6) of the Predecessor Companies Ordinance on 9 November 2012
“Euro(s)” or “EUR”	the official currency of the Eurozone, which consists of 19 of the 28 member states of the European Union

## DEFINITIONS

“EUREX”	Eurex Exchange, an international derivatives exchange headquartered in Eschborn, Germany and operated by Eurex Frankfurt AG and Eurex Zurich AG
“Excalibur Global BVI”	Excalibur Global Financial Group Ltd. (駿溢環球金融集團有限公司), a company incorporated in BVI on 6 July 2009 with liability limited by shares and a direct wholly-owned subsidiary of our Company
“Excalibur Global HK”	Excalibur Global Financial Group Limited (駿溢環球金融集團有限公司), formerly known as Home Great Investment Limited (亨偉投資有限公司), Excalibur Futures Limited (加利保期貨有限公司), and Excalibur Futures Limited (駿溢期貨有限公司), a company incorporated in Hong Kong on 18 November 1993 with limited liability and an indirect wholly-owned subsidiary of our Company. Excalibur Global HK is licensed with the SFC to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 5 (advising on futures contracts) regulated activities in Hong Kong, and is our principal operating subsidiary
“Fit and Proper Guidelines”	the Fit and Proper Guidelines published by the SFC in October 2013, as amended, supplemented or otherwise modified from time to time
“Fortune Millennium”	Fortune Millennium Investment Limited (裕元投資有限公司), a company incorporated in BVI on 1 July 2015 with liability limited by shares which is wholly owned by Mr. Ding
“Frost & Sullivan”	Frost & Sullivan Limited, an independent industry consultant engaged by our Company
“FRR”	the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Futures Exchange” or “HKFE”	Hong Kong Futures Exchange Limited
“Futures Exchange Participant(s)” or “HKFE Participant(s)”	a licensed corporation to carry on type 2 (dealing in futures contracts) regulated activity under the SFO who, in accordance with the rules of the Futures Exchange, may trade on or through the Futures Exchange and whose name is entered in a list, register or roll kept by the Futures Exchange as a person who may trade on or through the Futures Exchange
“FY2015”	financial year of our Group ended 31 December 2015
“FY2016”	financial year of our Group ended 31 December 2016
“1H2016”	six months period ended 30 June 2016

## DEFINITIONS

“1H2017”	six months period ended 30 June 2017
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, supplemented or otherwise modified from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“GREEN Application Form(s)”	the application form(s) to be completed by <b>HK eIPO White Form</b> Service Provider
“Group”, “our Group”, “we”, “us”, or “our”	our Company and our subsidiaries or, where the context so required, in respect of the period before our Company became the holding company of its present subsidiaries, such subsidiaries as if they were our Company’s subsidiaries at the relevant time, or the business acquired or operated by them or (as the case may be) their predecessors. As Excalibur Global HK is our principal operating subsidiary, reference to “we”, “us” and “our” may, based on the context in which these references are used, be used to describe business and operations of Excalibur Global HK where appropriate
“Guidelines on Competence”	the Guidelines on Competence published by the SFC in March 2003, as may be amended, supplemented and/or otherwise modified from time to time
“HKD” or “HK\$” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HK eIPO White Form”	the application of the Public Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the <b>HK eIPO White Form</b> service at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HK eIPO White Form Service Provider”	the <b>HK eIPO White Form</b> service provider designated by our Company, as specified on the designated website at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“HKEx”	Hong Kong Exchanges and Clearing Limited
“HKEx Group”	Hong Kong Exchanges and Clearing Limited and its subsidiaries from time to time, and for the purposes of this prospectus, includes HKSCC, HKFE Clearing Corporation Limited, HKEx Hosting Services Limited, HKFE, LME and The SEHK Options Clearing House Limited

## DEFINITIONS

“HKFRS”	Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and Interpretations promulgated by the Hong Kong Accounting Standards Board
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKMA”	Hong Kong Monetary Authority
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“ICE Group”	Intercontinental Exchange Inc., an American network of exchanges and clearing houses for financial and commodity markets, and for the purpose of this prospectus, includes NYBOT, IPE and LIFFE
“Independent Third Party(ies)”	an individual(s) or a company(ies) who is/are or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive or substantial shareholders (within the meaning of the GEM Listing Rules) of our Company or any of its subsidiaries or any of their respective associates
“Industry Report”	an industry research report commissioned by our Company and prepared by Frost & Sullivan in relation to the industry of our Group
“Intercontinental Exchange”	Intercontinental Exchange, Inc., an American network of exchanges and clearing houses for financial and commodity markets
“Internal Control Guidelines”	the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC published by the SFC under section 399 of the SFO
“IPE”	the International Petroleum Exchange, a London-based futures and options exchange dealing predominantly in commodities relating to energy which was acquired by the Group in 2001
“Japanese yen” or “JPY”	Japanese yen, the lawful currency of Japan
“Joinbest”	Joinbest Investment & Consultant Company Limited (廣州駿明投資諮詢有限公司), a company incorporated in PRC on 7 December 2009 with limited liability which is wholly-owned by Lin Ke (林柯)

## DEFINITIONS

“Joint Lead Managers”, “Joint Bookrunners”	collectively (i) Alliance Capital Partners Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the joint lead manager, the joint bookrunner and an Underwriter in respect of the Public Offer and the Placing; (ii) Head & Shoulders Securities Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being the joint lead manager, the joint bookrunner and an Underwriter in respect of the Public Offer and the Placing
“Joint Legal Counsels”	Ms. Ng Wing Shan Queenie and Mr. Tai Kwan Hang Jonathan, both of which are barristers-at-law in Hong Kong
“Latest Practicable Date”	20 December 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information of this prospectus
“licensed representative”	an individual who is granted a license under section 120(1) or 121(1) of the SFO to carry on one or more than one regulated activities
“LIFFE”	London International Financial Futures and Options Exchange, a futures exchange based in London, and a member of the Intercontinental Exchange group
“Listing”	the listing of the Shares on GEM
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares first commence on GEM
“Listing Division”	the Listing Division of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented and/or otherwise modified from time to time
“LME”	London Metals Exchange, a commodities exchange of options and futures contracts on base and other metals, and a member of the HKEx Group
“Main Board”	the Main Board operated by the Stock Exchange

## DEFINITIONS

“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 19 December 2017 and which shall become effective on the Listing Date, a summary of which is set out in Appendix III of this prospectus, and as amended, supplemented or otherwise modified from time to time
“Mr. Chan”	Mr. Chan Ying Leung (陳應良), one of our Controlling Shareholders and an executive Director of our Company
“Mr. Ding”	Mr. Ding Yimin (丁一民), holder of 4% shareholding interest in New Century immediately before the Reorganisation and will be a holder of approximately 3% shareholding interest in the Company following the Capitalisation Issue and the Share Offer (without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Mr. Ding is a shareholder of Xuzhou New Century Economy Development Co., Ltd. which holds 7% of New Era
“Mr. Kwok”	Mr. Kwok Shu Tin (郭樹鈿), a licensed representative accredited to Excalibur Global HK
“Mr. Kwok (Jnr.)”	Mr. Kwok Chun Ki, Jacky (郭晉棋), a licensed representative accredited to Excalibur Global HK and the son of Mr. Kwok
“Mr. Lui”	Mr. Lui Shing Yiu, Dominic, the largest client of the Group over the Track Record Period
“Mr. Poon”	Mr. Poon Kwok Wah Allan (潘國華), one of our Controlling Shareholders and an executive Director of our Company
“Mrs. Poon”	Ms. Ng Kit Ha, Adele (吳潔霞), the spouse of Mr. Poon
“New Century”	New Century Excalibur Holdings Limited (新紀元駿溢控股有限公司), a company incorporated in Hong Kong on 29 June 2011 with limited liability and an indirect wholly-owned subsidiary of our Company
“New Era”	New Era Futures Company Limited (新紀元期貨股份有限公司), a limited liability company incorporated in Xuzhou City, Jiangsu Province on 15 March 1995 and a futures broker registered with the China Securities Regulatory Commission of the PRC, which is 90% owned by Fortune Fountain (Beijing) Holding Group Co., Ltd, 7% owned by Xuzhou New Century Economy Development Co., Ltd. and 3% owned by Xuzhou Shengquan Investment Co., Ltd.
“Nomination Committee”	the nomination committee of our Board

## DEFINITIONS

“NYBOT”	New York Board of Trade, a physical commodity futures exchange located in New York City, U.S., and a wholly-owned subsidiary of Intercontinental Exchange
“NYMEX”	New York Mercantile Exchange, a commodity futures exchange which operate as a designated contract market as a member of the CME Group
“Offer Price”	the final price for each Offer Share (exclusive of any brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable thereon), of not more than HK\$0.425 per Offer Share and is expected to be not less than HK\$0.375 per Offer Share, at which the Offer Shares are to be offered for subscription pursuant to the Share Offer, to be determined in the manner set out in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Offer Shares”	the Public Offer Shares and the Placing Shares
“Offer Size Adjustment Option”	the option granted by our Company to the Placing Underwriters, exercisable by the Joint Lead Managers, their agent on behalf of the Co-lead Manager and the Placing Underwriters, at their sole and absolute discretion, pursuant to which our Company may be required to allot and issue up to 30,000,000 Offer Shares, representing 15% of the Offer Shares initially available under the Share Offer, at the Offer Price to cover any over-allocations (if any) in the Placing, subject to the terms of the Placing Underwriting Agreement
“PINK Application Form(s)”	the application form(s) to be sent to Eligible Employees to subscribe for the Employee Reserved Shares pursuant to the Employee Preferential Offering
“Placing”	the conditional placing of the Placing Shares at the Offer Price for and on behalf of our Company to professional, institutional and other investors, as further described under the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Shares”	the 180,000,000 newly issued Shares initially offered by our Company for subscription at the Offer Price under the Placing subject to reallocation and (together, where relevant, to any additional Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option) as further described in the section headed “Structure of the Shares Offer” in this prospectus



## DEFINITIONS

“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing expected to be entered into by our Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager and the Placing Underwriters as further described in the section headed “Underwriting — Underwriting arrangements and expenses — The Placing Underwriting Agreement” in this prospectus
“Placing Underwriter(s)”	the underwriter(s) of the Placing named in the section headed “Underwriting — Underwriters — Placing Underwriters” in this section of the prospectus that is expected to enter into the Placing Underwriting Agreement to underwrite subscription of the Placing Shares
“PRC” or “China”	the People’s Republic of China which, for the purposes of this prospectus only (unless otherwise indicated), excludes Hong Kong, Macau and Taiwan
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Lead Managers (for themselves and on behalf of the other Underwriters) on or before the Price Determination Date to record and determine the Offer Price
“Price Determination Date”	the date, expected to be on or about Thursday, 4 January 2018, or such latest date as the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our company may agree but in any event no later than Friday, 5 January 2018, on which the Offer Price will be fixed for the purpose of the Share Offer
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by members of the public in Hong Kong at the Offer Price (subject to adjustment as described in the section headed “Structure and conditions of the Share Offer” in this prospectus) and on and subject to the terms and conditions stated herein and in the Application Forms
“Public Offer Shares”	the 20,000,000 newly issued Shares offered by our Company for subscription at the Offer Price pursuant to the Public Offer representing 10% of the initial number of the Offer Shares, subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus

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“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer named in the section headed “Underwriting — Underwriters — Public Offer Underwriters” in this section of the prospectus that is expected to enter into the Public Offer Underwriting Agreement to underwrite subscription of the Public Offer Shares
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 28 December 2017 relating to the Public Offer entered into by our Company, the Controlling Shareholders, the executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Co-Manager, and the Public Offer Underwriters, as further described in section headed “Underwriting — Underwriting arrangements and expenses — The Public Offer Underwriting Agreement” in this prospectus
“Qianhai”	the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, a pilot district designated for cooperation between Mainland China and Hong Kong and for innovation in the services industry
“R.J. O’Brien”	R.J. O’Brien & Associates, LLC, a provider of brokerage of overseas futures contract and provision of data services, being one of our top five service providers during the Track Record Period
“regulated activities”	the regulated activities defined under Schedule 5 of the SFO
“Remuneration Committee”	the remuneration committee of our Board
“Reorganisation”	the corporate reorganisation arrangement undertaken by our Group in preparation for the Listing, as set out in the paragraph headed “Reorganisation” under the section headed “History, Reorganisation and corporate structure” in this prospectus
“responsible officer”	a licensed representative who is approved by the SFC as a responsible officer under section 126 of the SFO to supervise one or more regulated activities of a licensed corporation
“SAFE”	The State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Service Provider A”	a brokerage provider of overseas futures contract which was one of our top five service providers during the Track Record Period
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong

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“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“SGX”	Singapore Exchange, a multi-asset exchange of equity, fixed income and derivative products based in Singapore
“Share(s)”	ordinary share(s) with nominal or par value of HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	holder(s) of the Shares, from time to time
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 19 December 2017, the principal terms of which are summarised in the paragraph headed “Statutory and general information — D. Share Option Scheme” in Appendix IV to this prospectus
“Sharp Point”	Sharp Point Limited, a provider of internet trading software solutions, being one of our top five service providers during the Track Record Period
“SHFE”	Shanghai Futures Exchange, a self-regulated commodity futures exchange based in Shanghai under the vertical management of the China Securities Regulatory Commission of the PRC
“Smart Day Capital”	Smart Day Capital Limited (駿日融資有限公司), formerly known as Excalibur Capital Limited (加利保融資有限公司) and Excalibur Capital Limited (駿溢融資有限公司), a company incorporated in Hong Kong on 26 August 1993 with limited liability and a subsidiary of Excalibur Global BVI before the Reorganisation
“Smart Day International”	Smart Day International Limited (駿日國際有限公司), a company incorporated in Hong Kong with limited liability under the control of Mr. Poon and Mr. Chan before the Reorganisation
“Sole Sponsor” or “Alliance Capital”	Alliance Capital Partners Limited, a corporation licensed to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor of the Listing
“Stock Exchange” or “HKSE”	The Stock Exchange of Hong Kong Limited

## DEFINITIONS

“Stock Exchange Participant(s)”	corporation(s) licensed to carry on type 1 (dealing in securities) regulated activities under the SFO who, in accordance with the rules of the Stock Exchange, may trade on or through the Stock Exchange and whose name(s) is/are entered in a list, register or roll kept by the Stock Exchange as person(s) who may trade on or through the Stock Exchange
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules, unless the context otherwise requires
“Substantial Shareholder(s)”	has the same meaning as ascribed thereto in the GEM Listing Rules, and details of our Company’s Substantial Shareholders are set out in the section headed “Substantial Shareholders” in this prospectus
“Takeovers Code”	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented and/or otherwise modified from time to time
“TCE”	Tokyo Commodity Exchange, a commodity futures exchange based in Japan which operates electronic markets for precious metals, oil, rubber and soft commodities
“Team Success”	Team Success International Investment Limited (匯成國際投資有限公司), a company incorporated in Hong Kong on 1 November 2004 with limited liability, which is 1% owned by Mr. Chan and 99% owned by an Independent Third Party
“Track Record Period”	the financial period comprising the two financial years of the Group ended 31 December 2016 and the six months ended 30 June 2017
“Trade Marks Registry”	Trade Marks Registry of the Intellectual Property Department of Hong Kong
“Underwriters”	collectively the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	collectively the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America
“US\$”, “US dollars” or “USD”	United States dollars, the lawful currency of the US
“U.S. Securities Act”	the United States Securities Act of 1933 (as amended from time to time)

## DEFINITIONS

“WHITE Application Form(s)”	the application form(s) for use by the public who require such Public Offer Shares to be issued in the applicant’s own name(s)
“YELLOW Application Form(s)”	the application form(s) for use by the public who require such Public Offer Shares to be deposited directly in CCASS
“ZCE”	Zhengzhou Commodity Exchange, a self-regulated futures exchange which specialises in agricultural and chemical product futures based in Zhengzhou under the uniform regulation by the China Securities Regulatory Commission of the PRC
“%”	per cent.

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

*If there is any inconsistency between the Chinese names of entities, authorities, organisations, institutions or enterprises established in the PRC or awards or certificates given in the PRC and their English translations, the Chinese language version or Chinese names shall prevail. The English translation of company names in Chinese which are marked with “\*” and the Chinese translation of company names in English which are marked with “\*” is for identification purposes only.*

*Unless otherwise specified, all times refer to Hong Kong time and reference to years in this prospectus are to calendar years.*

*Unless otherwise specified, all references to any shareholding in the Company in this prospectus assumes no allotment or issue of any Shares which may be issued and allotted pursuant to the exercise of the Offer Size Adjustment Option or the exercise of options under the Share Option Scheme.*

## GLOSSARY OF TECHNICAL TERMS

*This glossary of technical terms contains terms used in this prospectus in connection with our Group. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.*

“AE(s)”	accounts executive(s), means collectively Self-Employed AE(s) and Staff AE(s), all of which are licensed representatives accredited to Excalibur Global HK to carry out regulated activities
“CAGR”	compound annual growth rate, the year-on-year growth rate over a specified period of time
“carrying amount”	amount at which an asset is recognised in the most recent audited consolidated balance sheet of the Group as disclosed in this prospectus after deducting any accumulated depreciation (amortisation) and accumulated impairment losses
“CLICK”	a front office solution either developed in-house by a Stock Exchange Participant or a third-party software package acquired from commercial vendors which enables the Stock Exchange Participant to connect its trading facilities to the Open Gateway to conduct trading
“DCASS”	Derivatives Clearing and Settlement System (DCASS), the clearing and settlement system for derivatives products of the Stock Exchange
“futures”	a contract obligating the buyer and the seller to sell a specified property at a predetermined price and date
“futures contract”	a contract or an option on a contract made under the rules or convention of a futures market
“futures market”	a place where facilities are provided for persons to negotiate or conclude sales and purchases of, or for bringing together on a regular basis sellers and purchasers of, contracts the effect
“HKATS”	Hong Kong Futures Automated Trading System, a transaction-based network system
“HKCC”	HKFE Clearing Corporation Limited, which provide integrated clearing, settlement, depository and nominee activities to HKFE Participants
“HNWI”	a high net worth individual whose financial assets (excluding primary residence) has a value greater than US\$1 million

## GLOSSARY OF TECHNICAL TERMS

“HSI”	Hang Seng Index is a freefloat-adjusted market capitalisation-weighted stock market index in Hong Kong used to record and monitor daily changes of 50 constituent stocks of the Hong Kong stock market and is the main indicator of the overall market performance in Hong Kong
“Internet”	the global system of interconnected computer networks that use the protocol to link billions of electronic devices worldwide
“IT”	information technology, namely the application of computers and computer networks to store, study, retrieve, transmit, and manipulate data or information for a business or enterprise
“Non-referred Account(s)”	futures client account(s) where the brokerage fee is completely attributed to our Group
“NFA”	National Futures Association, a self-regulatory organisation in the United States derivatives industry, including on-exchange traded futures
“Open Gateway”	a windows-base device provided by HKEx and installed at the Stock Exchange Participants’ office to facilitate electronic interface of the AMS/3.8 with front office systems operated by the Stock Exchange Participant
“option”	a contract which gives the holder the right, but not the obligation, to buy or sell a specified property at a predetermined price and date
“QDII”	Qualified Domestic Institutional Investor (合格境內機構投資者) (QDII) Scheme, being a scheme which allows approved domestic institutional investors in the PRC to invest (of an amount up to a specific quota granted by SAFE) in offshore securities markets via fund management institutions, insurance companies, securities companies and other asset management institutions which have been approved by PRC regulators
“Referred Account(s)”	futures client account(s) where the brokerage fee is attributed between our Group and the responsible AE(s) who referred the relevant client to our Group
“Self-Employed AE(s)”	AE(s) who are engaged on a full commission basis without any contractual fixed remuneration package and is not regarded as an employee of Excalibur Global HK under the laws of Hong Kong, other than Mr. Kwok who is also an employee of Excalibur Global HK
“Staff AE(s)”	AE(s) who are employed as staff of Excalibur Global HK and are entitled to fixed monthly salary and statutory employee benefits

## FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements that are, by their nature, subject to significant risks and uncertainties. All statements other than statements of historical facts contained in this prospectus including, without limitation, those regarding and any statements preceded by, followed by, or that include the words “believe”, “expect”, “aim”, “intend”, “project”, “will”, “may”, “plan”, “consider”, “anticipate”, “seek”, “should”, “would” or similar expressions or the negative thereof, are forward-looking statements.

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

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

- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand
- expansion, consolidation or other trends in the industry in which we operate
- any changes in the laws, rules and regulations of Hong Kong, the PRC and other relevant jurisdictions in which we operate and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or price, including those pertaining to the industry and markets in which we operate
- changes in the global economic conditions and material volatility in the global financial markets
- capital market developments
- general political and economic conditions, including those related to Hong Kong, the PRC and other relevant jurisdictions in which we have or intend to have business operations
- macroeconomic measures taken by the Hong Kong and/or the PRC governments to manage economic growth
- the competition for our business activities and the actions and developments of our competitors
- changes to our financial condition and performance
- changes to our expansion plans and use of capital expenditures



## FORWARD-LOOKING STATEMENTS

- our ability to successfully implement and realise the benefits of our business plans and strategies
- other factors beyond our control

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

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

These forward-looking statements are based on current plans and estimates, and apply only as of the date they are made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all.

We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified with reference to cautionary statements set out in this section.

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

## RISK FACTORS

*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of the risks and uncertainties described below. The trading prices of the Shares could decline due to any of these risks and uncertainties, and you may lose all or part of your investment.*

### RISK RELATING TO OUR BUSINESS AND OUR INDUSTRY

#### Reliance on top clients and their investment preferences

We generate a significant portion of our revenues from the top clients of Excalibur Global HK. For FY2015, FY2016 and 1H2017, (i) revenues generated from the broking of futures contracts for top 30 clients amounted to, in aggregate, approximately HK\$29.4 million, HK\$27.7 million and HK\$10.8 million respectively, which accounted for approximately 67.4%, 67.8% and 79.3% of our total revenues for the respective periods; and (ii) revenue generated from broking futures contracts for Mr. Lui, the top client of Excalibur Global HK, amounted to approximately HK\$5.1 million, HK\$9.4 million and HK\$0.5 million respectively, which accounted for approximately 11.8%, 23.0% and 3.4% of our total revenues for the respective periods.

There is no assurance that our relationship with these top clients will not deteriorate or that they will not terminate the use of our services in the future. Further, the volume of trading and/or the type of futures and options products which these clients may determine to trade during any particular period may depend on their investment appetite and preference at the time, which may be affected by their personal assessment on the outlook of the market based on prevailing market conditions, as well as other factors beyond our or their control. To illustrate, Mr. Lui, a client who had contributed the most revenue to the Group over the Track Record Period and who had generally traded products in which we charge a higher brokerage rate, had significantly decreased his trading activities in 1H2017, causing revenue generated from his trading activities to drop from approximately HK\$8.0 million in 1H2016 to approximately HK\$0.5 million in 1H2017.

There is no guarantee that these clients will continue to place orders at levels commensurate with previous periods, or at all, and there is no assurance that such a decline in transaction volume will be compensated by trade orders from other clients. The failure to secure sufficient transaction volume from high frequency traders to compensate any decline in orders from the existing top 30 clients of Excalibur Global HK will materially and adversely affect our results of operations and financial condition.

#### We may suffer financial losses as a result of clients' failure to meet margin calls

Our clients are generally required to make a minimum initial margin deposit when a futures position is opened (the amount of which is stipulated by the futures exchange on which the relevant futures contract is listed) and to ensure that, at all times when the futures position remains open, a certain amount (as prescribed by the relevant futures exchange) is maintained as a maintenance margin. If the equity amount in a customer's account drops to or below the level of the maintenance margin because of an adverse price movement, we will issue a margin call requiring the client to restore the

## RISK FACTORS

equity amount within a designated time. If a client fails to do so, we may liquidate the client's position. However, there is no assurance that in each case the liquidation of the position will not result in a loss to us or that liquidation is feasible.

The price of futures contracts traded on global markets (as well as their underlying property or asset) is affected by many unpredictable factors such as fluctuations in global interest rates and changes in global economic and political situations. In the event of severe adverse price movements affecting open positions of futures contracts held by our clients for any reason, they may suffer substantial losses before we can take any mitigation measures and the equity in their accounts may become negative as a result. We may be required to settle on behalf of such clients using our own resources and may in turn suffer losses if these clients fail to restore the equity to the required level, or the outstanding balance in their account remains unpaid following closing of positions of relevant futures contracts and/or realisation of collateral, if any. In addition, we may need to incur additional costs and take additional actions to recover outstanding balances from clients, which may involve disputes with the relevant clients in respect of our decision to liquidate positions.

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 will not default on their obligations to us as a result of bankruptcy, lack of liquidity or other reasons.

While we have not written off any bad debt or incurred any impairment loss over the Track Record Period in respect of our futures and options broking business, our business, results of operations and financial condition may be materially and adversely affected if we are required to do so.

### **Our operating income is reliant to a material extent on investor outlook**

Almost all of our operating income over the Track Record Period was derived from brokerage fees generated from executing or facilitating the execution of futures contracts for our clients, which is in turn directly influenced by the futures trading volume of our clients and the commission rates we charge. While it is our strategy to continue to expand our business lines and diversify our product and service offerings, our futures brokerage business is expected to be one of our main sources of revenue.

The volume of futures trading which may be carried out by our clients is subject to, among other things, the following factors which may affect their willingness to conduct futures trading or investment activities but which are beyond our control:

- the general economic conditions in Hong Kong, the PRC and overseas;
- the general political conditions in Hong Kong, PRC and overseas, such as macro-economic and monetary policies, legislation and regulations affecting the financial industry;
- fluctuations in interest rates and commodity prices;
- changes in investors' sentiment, perception and confidence; and
- inflation, natural disasters, riots and acts of war or terrorism.

## RISK FACTORS

According to the Industry Report, factors such as volatility in the global capital market (currently affected by such matters as uncertainties over the U.S. interest rate policy), political instability in the United Kingdom due to Brexit, a possible hard landing of the PRC economy and high volatility in the price of oil and other commodities, could lead to active trading in futures contracts (for speculative or hedging purposes) across global futures exchanges due to investors sentiment. However, such investors sentiment may be influenced by the foregoing factors which are beyond our control, and such developments may affect their appetite for trading futures contracts in the future.

Where our clients determine to reduce their volume of trading in futures contracts, or not to trade at all, our revenue will be reduced and our results of operations and financial condition may be materially and adversely affected.

### **Failure to maintain an efficient and reliable IT infrastructure and online trading platform may materially and adversely affect our business**

Almost all trade orders placed by clients of Excalibur Global HK over the Track Record Period were effected directly through our online trading platform which our clients were able to access using free PC software and/or mobile applications we make available to them. The success of our Group therefore relies, to a material extent, on our ability to develop and maintain a reliable, stable and effective online trading platform and IT infrastructure through which our clients may access market information and execute trades in an efficient manner.

The futures industry is however characterised by rapidly changing technology and competition in terms of speed and efficiency in trade execution, and we are exposed to the risk that our IT systems may not be sufficiently competitive, or that we may need to incur additional costs to develop or maintain a more competitive IT system in order to effectively compete. In particular, it is vitally important that we devote adequate resources to ensure that we have sufficient bandwidth capacity in our network connections to meet the trading demand of our clients, failing which the speed at which our clients may effect their trades through our online trading system may be prolonged and the execution of their trades may be delayed. In the event that we fail to develop, maintain or upgrade our IT systems to meet the demands of our clients on a timely basis, at commercially reasonable costs, or at all, our clients may determine to terminate their relationship with us and engage the services of our competitors who may be able to meet their requirements. This will negatively and adversely affect our reputation as well as our business, results of operations and financial condition.

In addition, the IT infrastructure used by our Group for our business may be vulnerable to, without limitation, human error, computer viruses or other malicious programs, hackers, power outages, fire, sabotage, hardware or software malfunctions or defects, intentional acts of vandalism, unauthorised access, client misuse, lack of proper maintenance or other disruptive actions which may cause data loss or corruption and potentially lead to interruption, delay or cessation in part or all of the services provided over our online trading platform and trading facilities. There is no assurance that our IT infrastructure will be adequate to prevent the occurrence of one or more of the foregoing events. Any loss or corruption of data or disruption to the use of our online trading platform could have an adverse effect on the business operations of Excalibur Global HK and adversely affect the results and operations and financial condition of our Group.

## RISK FACTORS

Further, any compromise of the security and integrity of our IT systems may also potentially lead to trading losses to our clients as well as leak of confidential information stored in our systems (such as client data, trading records and other personal information). This may lead to legal proceedings being brought against our Group (which can be costly and time-consuming to defend and which may significantly divert the efforts and resources of our management personnel away from our usual business operations) and may potentially result in our having to pay damages. This could materially adversely affect our business reputation, financial condition and results of operations.

**Failure of software provided by our software vendor or failure to effectively manage our relationship with our software vendor will disrupt the operations of our online trading platform and materially and adversely affect our business**

Almost all of our clients' trades are placed and executed through our online trading platform which is supported by, and highly reliant on, a software supplied by Sharp Point (an independent third party vendor recognised by the Stock Exchange for the execution of clients' instructions) which is capable of processing a large number of transactions simultaneously during peak periods. We rely on the Sharp Point software to establish connections between and among telecommunication carriers, futures exchanges, overseas brokers and our clients, and the proper functioning of such software is important for us in terms of trade execution, data recordation and management, risk management as well as client servicing.

If we fail to manage our relationship with Sharp Point (one of our key service providers over the Track Record Period) or are unable to use the software provided by it, we may experience system failures or face incompatibility of software or platforms, synchronisation, data transfer and data management issues across our IT systems and platforms. We cannot assure you that there will be no systems failure due to deterioration of our relationship with, or disruption in the use of software produced by, Sharp Point, and any such systems failure will materially and adversely affect our operations.

While we have implemented a contingency plan to deal with situations in the event that our use of the software provided by Sharp Point is discontinued or disrupted, the carrying out of such contingency plan (such as migration to an alternative software platform) will likely lead to the incurrence of additional costs as well as diversion of resources (including time and efforts of management and staff) away from our ordinary course of business. Further, the failure to carry out such contingency plan smoothly and effectively may affect the efficiency in which we provide services to our clients, including in executing trade orders, in the short-term. Should our contingency plan take longer than expected to implement, or fails to be implemented, or where the alternative software, if any, fails to meet our clients' expectations, our business, reputation, business prospects and financial condition will be materially and adversely affected.

**We are subject to extensive regulatory requirements, non-compliance with which, or changes in these regulatory requirements, may affect our business operations and financial results**

The financial services industry in Hong Kong is highly regulated. In particular, as a licensed corporation registered with the SFC to carry out regulated activities, our key operating subsidiary, Excalibur Global HK is subject to extensive ongoing requirements which are set out under the SFO as well as other regulations, codes and guidelines prescribed by the SFC from time to time. In particular, we must satisfy the SFC that Excalibur Global HK and each of its substantial shareholders and

## RISK FACTORS

responsible officers are, and continue to be, fit and proper. Our compliance obligations will be subject to scrutiny in particular when we apply for approvals, licenses or permits for conducting new businesses and/or for offering new products. Any failure of Excalibur Global HK or persons accredited to it to comply with applicable requirements and ongoing obligations may result in, among other things, (i) investigations and/or proceedings to be commenced; (ii) the imposition of additional conditions on existing licence(s); (iii) the imposition of sanctions and penalties as well as other civil and/or criminal consequences; and (iv) the risk of suspension or revocation of licence(s). Any such investigation, additional licence conditions, sanction or penalty, or the suspension of licences will materially and adversely affect our reputation as well as our business prospects and results of operations.

Further, the SFC may amend, supplement and/or modify their requirements on licensed corporations as it considers necessary for the proper regulation of the Hong Kong securities and futures market. Any such change or tightening of regulations and requirements on licensed corporations (which may involve an amendment to applicable laws, regulations and guidelines) may (i) require us to incur additional costs for compliance; and (ii) potentially affect our ability to carry on our existing regulated activities.

In addition, the SFC may carry out such regulatory inspections and investigations on licensed corporations as it deems necessary from time to time. During the Track Record Period, the SFC conducted a limited review on the regulated activities of Excalibur Global HK following which it made certain observations in respect of non-compliance issues. Please refer to the section “Business — Regulatory inspection, non-compliances and internal control deficiencies” in this prospectus for further details. Excalibur Global HK is required to fully cooperate with, and respond to enquiries of the SFC, over the review process, which may require the devotion of time and resources and will increase our cost of compliance.

With respect to SFC investigations, we may be subject to secrecy obligations under the SFO whereby we may not be permitted to disclose certain information relating to the investigations. Unless we are specifically named as the party that is being investigated under a SFO investigation, we generally do not know whether Excalibur Global HK and/or any of its Directors, responsible officers, licensed representatives or staff is the subject of any investigation. If the results of inspections or investigations reveal misconduct, the SFC may take disciplinary actions (such as revocation or suspension of licenses, public or private reprimand or imposition of pecuniary penalties) against Excalibur Global HK or the relevant staff. Any sanctions, disciplinary actions taken against or penalties imposed against Excalibur Global HK or the relevant Director or staff personnel will negatively affect our reputation and may materially and adversely impact our business prospects and financial results.

### **Adverse changes in the economic and other policies of the PRC government could have a material and adverse affect on our business, financial position and operations**

A large portion of our revenue is derived from clients who reside in the PRC. During the Track Record Period, revenue generated from clients who have declared their nationality as Mainland Chinese in their accounts opening documentation accounted for approximately 55.3% (or HK\$24.0 million), approximately 48.2% (or HK\$19.7 million) and approximately 58.3% (or HK\$7.9 million) of our total brokerage fees generated for FY2015, FY2016 and 1H2017, respectively. As such, our continued success will depend, to a material extent, on our ability to market our services in the PRC effectively as well as the ability of PRC clients to remit funds to Hong Kong and/or source offshore funds for futures trading.

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The economy of the PRC differs from the economies of most developed countries in a number of aspects, such as the extent of government intervention, growth rate and control of foreign exchange. In particular, the PRC government exerts substantial control over the growth of the domestic economy by means of, among others, resource allocation as well as setting policy on foreign exchange. There is no assurance that China will not implement reforms or policies which may drastically (i) restrict PRC investors from investing abroad; (ii) restrict the volume and type of futures products which may be traded by them; and/or (iii) restrict or hinder our marketing efforts in the PRC. For instance, the SAFE recently reiterated that offshore investments by PRC residents by way of outbound personal remittance are prohibited unless such investments are made via certain permitted channels (such as the QDII scheme) or for certain permitted purposes. Such reforms or policies may potentially stem the attractiveness of Hong Kong as an alternative venue for PRC investors to trade futures contracts, or otherwise restrict their outbound investment opportunities if they are unable to secure offshore funds. As China continues to implement market-oriented reforms, at times involving unprecedented or experimental revision of its economic reform measures, there is no guarantee that adjustments to its policies will not negatively affect our operations and business development. Any policies which reduce the willingness of our PRC clients to trade futures products through us or which otherwise restricts their ability to remit funds into Hong Kong and/or source offshore funds for futures trading, will adversely affect our business and results of operations.

**The financial performance of the Group for the financial year ending 31 December 2017 and 31 December 2018 may be materially and adversely affected by capital and other expenditures which are expected to be made during the respective years**

While it is expected that expenditures in an aggregate amount of approximately HK\$27.5 million will be incurred during the financial year ending 31 December 2018 following Listing for the purpose of implementing our future plans as set out in the section “Future Plans and Use of Proceeds” in this prospectus, the expected returns and benefits from the relevant investments are expected to be materialise only from 2018 onwards. As such, and taking into account the Listing expenses in the expected amount of HK\$12.4 million that would be charged to the combined statement or loss for the Company in the financial year ending 31 December 2017, it is expected that the financial performance of the Group will be materially and adversely affected.

### **Risk of reliance on income generated from related persons**

Over the Track Record Period, certain brokerage clients of Excalibur Global HK were connected persons or persons who are otherwise related to our Group (including existing and previous staff and Self-employed AEs, as disclosed in the section headed “Business — Client who are connected persons or staff of the Group” in this prospectus). These persons contributed in aggregate approximately HK\$7.8 million, HK\$10.8 million and HK\$1.2 million of the total revenue of the Group for the years ending 31 December 2015 and 2016 and the six months ended 30 June 2017 respectively, representing approximately 17.9%, 26.6% and 8.6% to our Group’s revenue for the respective periods.

While the Group provides trading services for these connected and related persons on an arm’s length basis and on normal commercial terms, there is no guarantee that these persons will continue to carry out the same level of trading, or at all, using the services of the Group following the Listing. In particular, as with other clients of the Group, their trading may be affected by their investment outlook



## RISK FACTORS

and personal situations and considerations unrelated to, or outside of the control of, the Group. Should their trading volume materially decrease in the future, the amount of revenue which may be generated by the Group may be reduced.

### **Our future plans are subject to uncertainties and risks**

Our future plans, as set out in the section headed “Future plans and use of proceeds” of this prospectus include, among other things, (i) strengthening our position in the futures market by enhancing our marketing resources in the PRC; (ii) commencing our stock options broking business; (iii) enhancing the IT capability of our Group; (iv) expanding our manpower for providing more customised client services; and (v) strengthening the skills of our staff. In addition, our Group may from time to time implement, as when appropriate, other plans in order to remain competitive in the futures brokerage market in which we operate.

The above futures plans are based on our current intentions and assumptions, and the execution of such plans are subject to capital and human resource constraints as well as other factors beyond our control. In particular:

- we may not be able to hire and retain suitably qualified staff to support our expansion plans and marketing strategies due to competition in attracting talent;
- our ability to commence our stock option trading business is conditional upon, among others, receiving approval from the SFC to lift our existing licensing condition which restricts our type 1 (dealing in securities) regulated activity to acting as an introducing agent; such approval is subject to vigorous regulatory vetting by the SFC and there is no assurance that it will be forthcoming within our expected timetable, or at all. Further, we may not be able to recruit and retain sufficiently qualified AEs with relevant experience relating to stock options products;
- benefits expected to be generated from our future plans may be hindered by factors, such as general market conditions and the economic and political environment in Hong Kong and the PRC, which are beyond our control; due to such factors, the perceived benefits of relevant investments to these future plans may not materialise or may be delayed; and
- our ability to market our services to retail investors in the PRC is subject to applicable laws and regulations in the PRC, and any change to such laws and regulations may potentially hinder our marketing efforts and/or the effectiveness of our marketing campaign.

Due to the above, our future plans or any part thereof may not materialise in accordance with our expected timetable, or at all, despite our capital commitments and investments into the same, and this may materially and adversely affect our results of operations and financial condition.

In addition, our future plans may place substantial demands on our managerial, operational, technological, financial and other resources. To manage and support our growth, we may need to improve our existing operational and administrative systems, improve our financial and management controls, enhance our ability to recruit, train and retain additional qualified personnel and staff. All of these endeavours will require substantial attention and time from management and significant additional expenditures. We cannot assure you that we will be able to manage any future growth effectively and

## RISK FACTORS

efficiently, and our ability to capitalise on new business opportunities may be materially and adversely affected if we fail to do so, which could in turn materially and adversely affect our business, results of operations, financial condition and prospects.

### **We are exposed to credit risk relating to the recoverability of our account receivables**

Our Group's credit risk is primarily attributable to cash and cash equivalents and accounts receivables due from clients and overseas brokers.

Our clients are required to make a minimum initial margin deposit when a futures position is opened (the amount of which is stipulated by the futures exchange on which the relevant futures contract is listed) and to ensure that, at all times when the futures position remains open, a certain amount (as prescribed by the relevant futures exchange) is maintained as maintenance margin. In the event of adverse movement in the prices of the customers' future products being traded, we will issue a margin call requesting the customer to deposit additional funds within a designated time. If the client fails to meet the margin call, we may liquidate the client's position to reduce our risk exposure. There is however no assurance (especially in times of severe price movements affecting open positions of futures contracts) that the clients will be able to restore equity to required level or that liquidation of their trade positions will be sufficient to cover losses, in which case, we will be required to settle on behalf of clients using our own resources. The amounts which we are required to pay on behalf of these clients will become accounts receivable due from the relevant clients. There is no assurance that the relevant clients will not default or materially delay settling their obligations to repay the relevant amounts due to us, and while we have not written off any bad debt or incurred any impairment loss over the Track Record Period in respect of our futures and options broking business, our business, results of operations and financial condition may be materially and adversely affected if we are required to do so.

In order to gain access to futures and options traded in global futures exchanges in which we are not a clearing member and/or which we are not admitted as a trading participant, we have entered into arrangements with various overseas brokerage firms who have requisite trading rights with the relevant global futures exchanges. We maintain an omnibus client account with each of these overseas brokerage firms through which our clients may place their trade orders in respect of futures products traded on global futures exchanges through our online trading platform and it is the obligation of Excalibur Global HK to ensure that there is sufficient cash balance in its account such that all margin requirements of open positions of futures contracts executed through the overseas brokers by clients are met. Excalibur Global HK will also maintain a sufficient cushion in margin deposits with overseas brokers to ensure that the failure of one client to meet maintenance margin will not affect open positions of other clients. In this regard, the amount deposited for open positions of contracts traded via overseas brokers held by the Group and the funds that act as cushion relating to required margins and deposited with the overseas brokers are accounts receivables of the Group. In the event the relevant overseas brokers materially delay or default in making payments due to us, as a result of liquidity issues, financial difficulties or where processes have been commenced for the liquidation or winding up of their businesses, then we may be required to compensate our clients through our own resources, or if we decline or fail to do so, we may be subject to potential claims and proceedings from our clients (which may divert our resources and management focus) in which case our operating results and financial condition may be materially and adversely affected.

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### **Our proposed expansion of product offerings to stock options and our proposed commencement of our securities margin financing business may expose us to additional credit risks**

We will use part of our proceeds from the Share Offer to expand our product offerings to our clients to include broking services relating to stock options to our clients and to allow them to acquire the underlying securities of such options purchased on a margin basis. For further details of our future plans, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

The provision of securities margin financing to our clients may expose us to additional credit and compliance risks. All margin loans extended to clients under securities financing services will be secured by securities listed on the HKEx, held in their accounts, accepted by Excalibur Global HK as collateral and pledged to Excalibur Global HK. In the event of adverse movement in the prices of clients’ pledged securities, we may make a margin call requesting the client to deposit additional funds within a designated time. If the client fails to do so, we will be entitled to dispose of the pledged securities and use the sale proceeds thereof towards repayment of the loan. However, there is a risk that the amount recovered from the disposal of pledged securities may fall short of the outstanding margin loan balance. As a result, our Group would suffer a loss if it fails to recover the shortfall from its clients, and this may have a material adverse effect on our financial conditions and results of operations as well as affect our ability to meet statutory capital requirements (FRR requirements).

In addition, if we are unable to achieve the intended results with respect to the expansion of our offering of stock options (involving the expenditure of material upfront costs), our business, financial condition, results of operations and prospects could be materially and adversely affected.

### **Risks associated with our Group’s expansion plan into Qianhai**

It is intended that a significant part of the proceeds from the Share Offer will be used to establish an office in Qianhai for marketing and training purposes. For further details of our future plans, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

Our ability to realise the benefits of such marketing efforts depends to a material extent on the effectiveness of our marketing seminars and our ability to recruit, train and retain experienced and qualified marketing staff. Both of these are expected to require substantial management attention and efforts as well as significant additional capital expenditure and funding. We cannot assure you that we will be able to implement our expansion plans in Qianhai effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalise on new business opportunities. We also cannot assure you that, our expansion in Qianhai will enhance our profitability vis-à-vis the outsourcing of such marketing efforts as the Group has done historically.

Given the material amount of expenditures which we intend to allocate to the establishment of our Qianhai operations, the failure of our strategy to internalise our marketing efforts through the establishment of our Qianhai operations may have a material adverse effect on our business, results of operations, financial condition and prospects.

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**Our risk management and internal control policies and procedures may not be adequate or effective and may expose us to unidentified or unexpected risks, which may have a material adverse effect on our business, financial condition and results of operations**

We are dependent on our risk management and internal control policies and the adherence to such policies by our trading staff to manage our risk exposure. Our policies, procedures and practices are used to identify, monitor and control a variety of risks including market risks, operating risks, credit risks and compliance risks. Some of our methods for managing risks are discretionary by nature and are based on internally developed controls, and also involve reliance on standard industry practices. These methods may fail to predict future risk exposure, which could be significantly greater than those indicated by our historical measures, and fail to mitigate identified risks and risks of unpredictable or unforeseeable nature. Other risk management methods depend on an evaluation and analysis of available information with respect to market and operating conditions as well as other matters, which may not be accurate, complete, up-to-date or properly evaluated. In addition, the information and experience on which we rely for our risk management methods may become quickly outdated as markets and regulations continue to evolve. If we fail to promptly adjust and improve our risk management and internal control policies and procedures in response to the development of the futures market and the expansion of our business, our business, financial condition and results of operations could be materially adversely affected.

Our risk management methods rely on a combination of technical and human controls and supervision that are subject to error and failure. Even though we can properly identify potential risks, our evaluation of such risks and corresponding measures adopted to handle such risks may be inadequate or ineffective. In addition, management of operating and compliance risks requires, among other things, policies and procedures to properly record and verify a large number of transactions and business activities, as well as appropriate and consistent application of our internal control systems, which, however, we cannot assure you. In addition, we may elect to adjust our risk management policies to allow for an increase in risk tolerance, which could expose us to the risk of greater losses. Our risk management and internal control policies and procedures may not protect us against all risks or may protect us to an extent less than anticipated, in which case our business, financial condition and results of operations may be materially adversely affected.

**Misconduct of our staff could harm our reputation and business and is difficult to detect and deter**

While we have in place internal control and compliance procedures which are designed to prevent and mitigate the risk of fraud, illegal act or misconduct of our Directors, staff (including our Staff AEs and Self-Employed AEs), agents, clients or other third parties, we cannot assure you that we would be able to effectively prevent the incurrence of misconduct, which may involve, among others:

- the carrying on of unauthorised activities resulting in unknown and unmanaged risks or losses;
- improperly using or disclosing confidential or price-sensitive information;
- improper manipulation of price of futures or options products;
- knowingly making recommendations in respect of futures and options products that are not suitable for clients; and

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- engaging in fraudulent acts or otherwise not complying with applicable laws or regulations or our internal control procedures.

While none of our Directors, staff, agents or clients over the Track Record Period and up to the Latest Practicable Date had been reprimanded or been a party to any formal disciplinary action, there is no assurance that they or any of them will not commit incidents of fraud or other misconduct in the future or that the precautions we take to prevent and detect such fraud or misconduct would be effective.

Depending on the nature of the misconduct, we and/or the relevant staff may suffer from adverse publicity and reputational damage and/or become subject to disciplinary actions, regulatory sanctions, penalties, potential lawsuits and risk of suspension or revocation of licence(s). We may also need to incur legal costs to commence and for participate in legal proceedings to recover any material losses suffered by us as a result of the actions of the relevant staff, if any. Therefore, any incidence of fraud or misconduct may materially and adversely effect our business, financial condition and results of operations.

### **We are exposed to the risk of failure to detect illegal or improper activities including money laundering and counter-terrorist financing activities**

We are required to comply with applicable anti-money laundering and counter-terrorist financing laws regulations and guidelines in Hong Kong. These laws and regulations require licensed corporations (including Excalibur Global HK, our key operating subsidiary) to establish sound internal control policies and procedures to monitor, report and curtail money laundering and terrorist financing activities. Such policies and procedures require us to, among other things, establish a client identification system in accordance with relevant rules, keep clients' information, record details of client activities and report suspicious transactions to relevant authorities.

While these policies have been adopted and procedures (aimed at detecting and preventing our business platforms from facilitating money laundering activities and terrorist acts) are in place, in light of the complexity of money-laundering activities and other illegal or improper activities, such policies and procedures may not completely eliminate the possibility of third parties using our business platform to engage in money laundering and other illegal or improper activities.

To the extent that we fail to fully comply with applicable anti-money laundering and counter-terrorist financing laws, regulations and/or guidelines, the SFC may impose fines and other penalties on us and we may suffer from damage to our reputation and loss of confidence from our clients; in particular where they form the perception that our business is being used to facilitate money laundering or to carry out other illegal or improper activities, our business, results of operations and financial condition may be materially and adversely affected as a result.

### **Any damage to our reputation may have a material adverse impact on our business and financial condition**

Our Directors consider that our brand and reputation are critical to our success and believe that Excalibur Global HK has established itself as a reliable and trusted futures brokerage firm in Hong Kong. Our ability to develop, maintain and enhance our brand and reputation will depend largely on: (i)

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our ability to continue to serve our clients satisfactorily; and (ii) market perception; particularly given that we operate in an industry where integrity, client trust and confidence are critical. Our brand and reputation could be materially adversely harmed if:

- our services do not meet the expectations or requirements of our clients;
- our clients' use of our online trading platform is materially disrupted in any way;
- we become subject to material client complaints, litigation and/or disputes; and
- we or any member of our staff becomes subject to any claims of alleged negligence, misconduct, breach of laws and regulations or becomes the subject of any regulatory investigation, proceeding or is issued any public censure or private reprimand.

Any harm to our reputation may make our existing and potential clients reluctant to procure our broking services in the future, which may materially and adversely affect our business, results of operations and financial condition.

### **Failure to adequately protect our intellectual property rights may have a material adverse impact on our business and results of operations**

While we have registered trademarks in Hong Kong and in the PRC for the marketing and protection of our brand, there can be no assurance that the registration trademarks will provide us with sufficient protection and that they may not be challenged, invalidated or circumvented. There are a number of factors which could cause our existing trademarks to be invalidated or to become unenforceable, including known or unknown prior trademark registrations or applications.

Further, intellectual property rights protection in the PRC may not be as effective as in developed countries due to factors including difference in terms of procedural rules for discovery and evidence and judicial independence. We may need to resort to litigation to enforce our registered trademarks, but the experience and capability of PRC courts in handling intellectual property litigation may vary and outcomes may be unpredictable. Any litigation or arbitration involving our trademarks may require significant expenditure and management efforts, and an unfavorable determination may materially harm our business, prospects and reputation.

Where there is any improper use of our registered trademarks resulting in negative publicity, we will make appropriate announcements, press releases and/or advertisements to inform the market as to whether or not the reported incidents are relevant to our Group and our Board and senior management will discuss what further actions, if any, should be taken by our Group. There is however no assurance that any actions we take would be effective in limiting the damage that we may suffer, or in restricting our competitors and/or third parties from imitating our brand and/or eroding or negatively affecting our image, other competitors may be able to imitate our brand and erode or negate any competitive advantage we may have in terms of our brand and reputation, and this could harm our business and profitability.

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Our Directors are aware that there is a licensed intermediary, China AF, which was previously owned by Mr. Chan (one of our executive Directors) prior to August 2016, the former name of which bears the word “Excalibur” or “駿溢”. China AF changed its name on 21 September 2017 and the previous name in the public register of licensed persons and registered institution of the SFC was only valid until 27 September 2017.

### **Changes in PRC law and regulations affecting our business and expansion in Qianhai and risks associated with the PRC legal system**

Currently, a large proportion of our revenue is generated from PRC clients and we intend to further capitalise on the business opportunities in the PRC by opening an office in Qianhai to increase our marketing capacity in the PRC. Please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus for further information of our future plans regarding the establishment of an office in Qianhai.

Although we have been advised by our PRC legal adviser that our current and intended marketing activities are permitted under the current PRC laws and regulations, there can be no assurance that the PRC government will not change its policies in a manner that would restrict or otherwise prohibit part of or all of our operations in Qianhai under the PRC laws and regulations. Where there is any change of laws and regulations requiring us to obtain approvals from relevant authorities to conduct marketing activities in the PRC, any failure to obtain such approvals may lead to the inability of our Group to carry out our marketing strategy despite the incurrence of relevant expenses.

Moreover, a number of PRC laws and regulations, particularly with respect to the financial services industry, are relatively new and are subject to different interpretations and may be inconsistently implemented and/or enforced. In addition, only limited volumes of published court decisions may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation, implementation and enforcement of PRC laws and regulations and a system of jurisprudence that gives only limited precedential value to prior court decisions can affect the legal remedies and protections available to you, and can adversely affect the value of your investment.

As China’s legal system and financial services industry develop, changes in laws and regulations, or in their interpretation or implementation or enforcement, could materially adversely affect our business, financial condition or results of operations.

### **We depend on our senior management and key personnel, and the loss of members of our senior management team or key personnel may disrupt our business**

Our business depends on the continued services of our executive Directors and senior management team who possess extensive experience and knowledge in the futures industry and 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. Mr. Poon is the chairman of the other Board and chief executive officer of our Company. Together with Mr. Chan and Ms. Lee Mei Chun, the executive Directors, and directors of our Company as disclosed in the section headed “Directors, Senior Management and Staff” in this prospectus (except for the independent non-executive Directors), they



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maintain close relationships with our Group's principal clients and play significant roles in our Group's day-to-day operations. Therefore, our success is, to a significant extent, attributable to the strategies and visions of our executive Directors and senior management team.

We also rely on the continued service of our key personnel (including members of our core management, IT specialists as well as settlement, operations and accounting and administrative staff) for carrying out their respective duties and functions in our business. We also rely on Staff AEs and Self-Employed AEs to maintain relationships with existing clients as well as generate client referrals.

We do not maintain key man insurance, if we lose the services of any key member of senior management or staff in the event of their retirement, resignation or for any other reason, we may not be able to find suitable or qualified replacements, and we may incur additional expenses to recruit and train new personnel, which may severely disrupt our business and growth.

As we expect to increase our marketing efforts in the PRC and launch stock options broking services for our clients in the near future, we will need to attract and retain experienced staff with relevant experience. We may encounter difficulties in recruiting suitably qualified staff with sufficient knowledge of futures contracts traded by us, and we may have to pay increased compensation to attract and retain the experienced personnel required to achieve our business objectives. The failure to do so could materially disrupt our business and growth.

In addition, as an entity licensed with the SFC, our key operating subsidiary, Excalibur Global HK, is required to have at least two responsible officers to supervise each regulated activity carried on by it at all times. In the event that one or more of our existing responsible officers resign, becomes disqualified, ineligible or is no longer deemed to be fit and proper person to act as our responsible officers and we are unable to find immediate and suitable replacement(s), the SFC may decide to temporarily suspend one or more of our SFC licences, or impose additional licensing conditions and Excalibur Global HK may no longer be able to carry on the relevant regulated activity(ies) until replacement responsible officer(s) have been approved to be accredited to it. Where our type 2 (dealing in futures contracts) regulated activity is suspended as a result, our trading activities may be halted entirely and this will materially and adversely affect our trading activities as well as our results of operations and financial position.

### **We are subject to competition in the futures brokerage industry**

According to the Industry Report, the Hong Kong futures brokerage industry is highly competitive, primarily due to changing market structure, on-going regulatory reforms, trading infrastructure innovation, expanding product portfolios of futures brokerage firms as well as the large number of participants in the market. In FY2016, 232 futures brokerage firms had trading rights in HKFE (of which approximately 75% were local brokerage companies with a strong focus on retail clients), and new participants may enter into the industry as long as they obtain the requisite licences and permits. Further, an increasing number of local brokerages are establishing branches in Mainland China to attract retail investors.

While our Directors believe that Excalibur Global HK, our key operating subsidiary, has established itself as a reputable and reliable futures brokerage firm in Hong Kong, there is no assurance that it will be able to effectively and successfully compete with its competitors in terms of, among other things, pricing, products range, financial strength, technological innovation, IT optimisation, the



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experience and knowledge of its staff, its ability to provide personalised and quality services, as well as our ability to maintain and expand our customer base or market share, including in the PRC. In particular, our Group may have to compete against competitors who may have larger client bases, greater brand recognition in the market, more human and financial resources, offer a wider range of services, and have more established networks and business relationship and longer operating histories than that of our Group. Some firms may also expand their operational scale, market share as well as geographic coverage through mergers and acquisitions and may increase capital through various methods so as to increase their market share.

There is no assurance that our Group will be able to maintain our competitive strengths even by responding rapidly to the changing business environment or trying to capture new market opportunities. Our inability to remain competitive could lead to a reduction in our market share (as our clients are not bound to use our services and products and can freely switch to other futures brokerage firms and decrease their trading activities conducted through us at any time), and could materially and adversely affect our profitability, results of operations and business prospects.

### **We may have to bear losses resulting from trading errors**

Our brokerage business is dependent on our ability to process and monitor a large number of transactions, which involves complicated operational procedures and requires the stable performance of our trading system. There is no guarantee that we will not inadvertently make any trading errors (such as mistakes in executing, recording or processing orders from clients). Any error in processing trade orders may cause us to enter into transactions that the clients may disaffirm and refuse to settle, which could subject us to the risk of material financial losses even if the errors are detected and the transactions are unwound or reversed afterwards. The risk of human error or miscommunication by a member of our staff may be greater for products that are new or have non-standardised terms. Any occurrence of human error may materially and adversely affect our reputation, business, financial condition and results of operations.

### **We have had certain compliance irregularities which may result in disciplinary or regulatory actions**

During the Track Record Period, the SFC conducted a limited review of the regulated activities of Excalibur Global HK and made certain observations in respect of non-compliance issues. These included a review on, and identification of compliance irregularities in respect of our Group's procedures in respect of account opening for clients located in the PRC, customer due diligence, anti-money laundering and counter-terrorist financing measures, margin control, handling of client/accounts, computation of liquid capital, deficiencies in client agreement, forms and statement of accounts, record keeping and licensing issues of Excalibur Global HK. Please refer to the section "Business — Regulatory inspection, non-compliances and internal control deficiencies" in this prospectus for further details.

Excalibur Global HK has taken and implemented a series of rectification and remedial measures and actions, and following which the SFC has issued a letter stating that it has no further comments in February 2016. Despite the issuance of this letter from the SFC, there is no assurance that all concerns of the SFC in respect of identified non-compliance issues have been fully and satisfactorily addressed and/or alleviated. We cannot assure you that the SFC will not carry out further reviews and investigations or that it will not take any further enforcement or disciplinary action in respect of

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previously identified non-compliance. Any further investigations, enforcement or disciplinary actions, or the issuance of any public censure or private reprimand, may materially and adversely affect our reputation, which may in turn affect our financial prospects and results of operations.

### **Licensed corporations are required to maintain a high level of liquidity**

Pursuant to the FRR, as a licensed corporation, Excalibur Global HK is required to maintain liquid capital which is not less than the prescribed level at all times. The required liquid capital under the FRR is the higher of HK\$3 million and 5% of the aggregate of (a) its on-balance sheet liabilities; and (b) the aggregate of the initial margin requirements in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients; and (c) the aggregate of the amounts of margin required to be deposited in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients, to the extent that such contracts are not subject to payment of initial margin requirements.

Excalibur Global HK must maintain a high level of liquidity at all times to comply with the FRR, particularly following the proposed commencement of its stock options broking business. Failure to meet the liquidity requirements under the FRR may cause the SFC to take appropriate actions against our Group (including suspension of licence and regulated activities) which may adversely affect our Group's operations and performance.

### **Our liquidity and financial condition may be materially and adversely affected by net cash outflows from operating activities in the future**

We recorded net cash used in operating activities of approximately HK\$8.3 million for the six months ended 30 June 2016, primarily as a result of operating cash flows before movements in working capital of approximately HK\$15.6 million and a decrease in amounts due from Controlling Shareholders of approximately HK\$20.3 million. Please refer to the paragraph headed "Accountants' Report — Combined statements of cash flows" in Appendix I to this prospectus.

In the event that we are unable to generate sufficient cash flow for our operations or are otherwise unable to obtain sufficient funds to finance our business operations, our liquidity and financial conditions may be materially and adversely affected. We cannot give any assurance that we will be able to secure sufficient cash from other sources on terms which are acceptable to us, or at all. If we carry out financing activities (other than the obtaining of subordinated shareholders' loans authorised by the SFC), we will incur additional financing costs and the FRR position of Excalibur Global HK, our operating licensed entity, may be adversely affected. In the event Excalibur Global HK is unable to meet the applicable liquid capital requirements, its SFC licences may become suspended and our operating results and financial condition may be materially and adversely affected.

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

We face significant legal risks in our business, and the volume and the 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 transactions, potential liabilities for advice provided to clients and potential disputes over the terms and conditions of trading arrangements. We may also be subject to claims for alleged

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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 remains unknown for a substantial period of time.

We may become party to legal proceedings arising from the ordinary course of our business. Actions brought against us may result in settlements, injunctions, fines, penalties and 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 litigation 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.

**Our revenue decreased during the Track Record Period and declined for the six months ended 30 June 2017 compared to the same period in the previous year, and there is no assurance that our revenue will not materially deteriorate in the future**

Our revenue decreased from HK\$43.4 million in FY2015 to approximately HK\$40.8 million in FY2016, primarily due to a decrease in the volume of futures contracts traded by our clients through us. In 1H2017, our revenue decreased by approximately 47.4% to approximately HK\$13.6 million from approximately HK\$25.8 million in 1H2016 due to, without limitation, a decrease in trading activity by some of our top clients and a change in trading preference regarding the type of products traded by our clients. For further details, please refer to the section headed “Financial information — Summary results of operations” in this prospectus.

While the demand for our Group’s futures broking services has increased since April 2017 (please refer to the section “Financial information — Management discussion and analysis on our Group’s financial performance” in this prospectus for details), if the demand weakens for the remaining months of 2017 or do not improve sufficiently to offset our decrease in revenue and/or increase in costs in 1H2017 (due to expected upfront capital commitments for the year as disclosed in the section headed “Future plans and use of proceeds” in this prospectus) and Listing expenses, our Group’s financial performance for the year ending 31 December 2017 may materially deteriorate, and may potentially result in a loss in the future.

While we intend to diversify our revenue streams in the future, for example, by commencing stock options broking as well as providing margin financing services, we cannot guarantee you that such businesses would be profitable or that our operating income would not further decrease and/or experience fluctuations in the future.

**Past performance is not necessarily indicative of future performance**

The financial information contained in this prospectus is reflective of our performance over the Track Record Period only. However, our past performance is not necessarily indicative of our future results. In particular, our future financial performance may be affected by changing regulations and by changes to the business and economic environment in which we operate, among other factors.

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Moreover, our financial and operating results may not meet the expectations of public market analysts and/or investors, which could cause our future price of Shares to decline. Our revenue, expenses and operating results may vary from period to period in response to a variety of factors beyond our control. You should not rely on our historical results to predict the future performance of the Shares.

### **RISKS RELATING TO MACROECONOMIC AND POLITICAL CONSIDERATIONS**

**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**

Our business and operations are substantially based in Hong Kong and our Group had derived all our income in Hong Kong during the Track Record Period. Accordingly, our business, financial condition, 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.

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

**Risks of acts of God, acts of war and terrorism, natural disasters, riots, epidemics and other disasters**

Events with adverse impact on investors' confidence and risk appetites, such as acts of God, acts of war and terrorism, natural disasters, riots or mass civil disobedience movements, epidemics and other disasters which are beyond our control, may lead to a reduction in investment or trading activities, and in turn, materially and adversely affect our business performance and results of operations.

For example, epidemics threaten people's lives and may adversely affect their livelihood as well as their living and consumption patterns. The occurrence of an epidemic is beyond our control, and there is no assurance that the outbreak of severe acute respiratory syndrome, the H5N1 strain of avian influenza, the H1N1 strain of swine flu or any other epidemics or pandemics will not happen. Any epidemic or pandemic occurring in Hong Kong, or even in areas outside of Hong Kong, may adversely affect our business, financial condition and results of operations. Acts of war and terrorism may cause damage or disruption to us or our employees, facilities, markets, service providers or clients, any of which may adversely impact our revenue, cost of sales, financial condition and results of operation or the trading price of our Share. Potential war or terrorist attacks may also cause uncertainty and cause our business to suffer in ways that we cannot currently predict.

**Our business may be affected by any changes in tax laws and regulations**

Under prevailing Hong Kong laws and regulations, the profits generated by Excalibur Global HK, our key operating subsidiary, is subject to taxation in Hong Kong. There is no assurance that the prevailing tax laws and regulations in Hong Kong (including profit tax rate) will not be revised or amended in the future. Any revision or amendment in tax laws and regulations may have an adverse impact on our business operations and our financial results.

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### **RISK RELATING TO THE SHARE OFFER**

#### **There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained**

Prior to the Share Offer, there has been no public market for our Shares. Following the completion of the Share Offer, the Stock Exchange will be the only market on which our Shares are listed. There is no guarantee that an active public trading market for our Shares will develop or be sustained after the Share Offer. If an active trading market for our Shares does not develop or is not sustained after the Share Offer, the market price and liquidity of our Shares may be materially and adversely affected.

#### **The market price following the Share Offer may be highly volatile**

We cannot assure you that the Shares will trade in the public market subsequent to the Share Offer at or above the Offer Price. The Offer Price per Share will be determined by an agreement between us and the Joint Lead Managers (for themselves and on behalf of the Underwriters), and may not be indicative of the market price of the Shares following the completion of the Share Offer.

The market price of our Shares and the trading volume of our Shares may be highly volatile and could be affected by a number of factors from time to time, including but not limited to, the variations in our revenue, earnings and cash flows, new investments, acquisitions or alliances, regulatory developments, industrial accidents suffered by our Group, litigation and change of key personnel. Any such developments may result in large and sudden changes in the volume and price at which the Shares will trade. There is no assurance that such developments will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares. In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. They could also be adversely affected by factors beyond our control and unrelated to our business performance.

#### **Potential investors could face dilution as a result of future equity financing**

We will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no future Shares or securities convertible into equity securities of our Company (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from Listing.

We may need to raise additional funds in the future to finance our business development or expansion. If the funds required are raised through issuing new equity or equity-linked securities of our Company other than on a pro-rata basis to the existing Shareholders, the shareholding of such Shareholders in the Company may be reduced or such new securities may confer rights and privileges that take priority over those conferred by the Offer Shares.

#### **Exercising options under the Share Option Scheme may dilute or reduce shareholding of the Shareholders**

Our Company has conditionally adopted the Share Option Scheme. As at the Latest Practicable Date, no option was granted under the Share Option Scheme. Following grant of any options under the Share Option Scheme in the future and issue of new Shares which may be granted under the Share

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Option Scheme upon exercise of the options, there will be an increase in the number of issued Shares. As such, there may be a dilution or reduction of shareholding of the Shareholders which may also result in a dilution or reduction of the earnings per Share or net asset value per Share. In addition, the fair value of the options to be granted to employees of our Group under the Share Option Scheme will be charged to the combined statements of profit or loss and comprehensive income of our Group over the vesting periods of such options. Accordingly, the financial conditions and results of operations of our Group may be adversely affected.

### **Future sales by existing Shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares**

Sales of substantial amounts of our Shares in the public market after the completion of the Share Offer, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our ability to raise capital through offerings of our Shares in the future.

The Shares held by the Controlling Shareholders of our Group are subject to a lock-up period, beginning on the date on which trading in our Group's Shares commences on GEM, during which time the Controlling Shareholders are restricted from disposing their Shares. While our Group is not aware of any intentions of its existing Shareholders to dispose of significant amounts of their Shares upon expiry of relevant lock-up periods, there is no assurance that the Controlling Shareholders will not dispose of the Shares held by them. Our Group cannot predict the effect, if any, of any future sales of the Shares by any substantial shareholder of our Company or Controlling Shareholder, or the availability of Shares for sale by any substantial Shareholder or Controlling Shareholder may have on the market price of the Shares. Sales of substantial amount of Shares by any substantial Shareholder or Controlling Shareholder or the issuance of new Shares by our Company, or the market perception that such sales or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

### **The interests of our Controlling Shareholders may not always coincide with our interests and those of our other shareholders**

Immediately following completion of the Capitalisation Issue and Share Offer (assuming the Offer Size Adjustment Option is not exercised and taking no account of any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), each of Mr. Poon and Mr. Chan will directly hold approximately 36.0% of the issued share capital of our Company and each of them are deemed to be interested in approximately 72% in the issued share capital of our Company pursuant to the Concert Parties Confirmatory Deed. Our Controlling Shareholders will be in a position which has significant influence over the operations and business strategy of our Company, and may have the ability to require us to effect corporate actions according to their own desires. If the interests of any of our Controlling Shareholders conflict with our and/or your interests, our Company or those other Shareholders, including you, may be adversely affected as a result.

### **There may be difficulties in protecting your interests as our Company is incorporated under the Companies Law in the Cayman Islands**

We are a company incorporated under the laws of the Cayman Islands. During the Track Record Period, all or a substantial portion of our businesses, assets and operations were located in Hong Kong. Since we are incorporated under the laws of the Cayman Islands and our corporate affairs are governed



## RISK FACTORS

by the laws of the Cayman Islands, it may not be possible for our Shareholders to bring a claim against us or against our Directors or officers based on Hong Kong laws in the event that our Shareholders believe that their rights as a shareholder have been infringed.

Our corporate affairs are governed by, among other things, our Memorandum and Articles of Association and the Companies Law. The law of the Cayman Islands relating to the protection of the interests of minority shareholders may differ in some respects from those established under statutes and judicial precedent in existence in Hong Kong. Such differences may mean that our minority shareholders may have different protection than they would have under the Laws of Hong Kong and other jurisdiction. For more details, please see the section headed “Summary of constitution of our Company and Cayman Islands Companies Law” in Appendix III to this prospectus.

### **There is no assurance that we will declare dividends in the future**

In FY2016, we declared and paid dividend in the amount of approximately HK\$27.4 million and it is our general dividend policy to pay dividends in the amount of no less than 50% of our annual distributable profits of each financial year.

Our ability to pay dividends will however depend on whether we are able to generate sufficient earnings. Further, the declaration, payment and amount of any future dividends is subject to the discretion of our Board and such declaration will be subject to consideration in respect of various factors including (i) our results of operations, financial conditions, future prospects and cash requirements; (ii) the provisions governing the declaration and distribution of dividends as contained in the Articles; (iii) compliance with applicable laws and other factors which our Board may determine to be important. Accordingly, our historical dividend distributions at any given point of time before or after Listing may not be indicative of our future dividend distribution policy and potential investors should be aware that the amount of dividends paid previously should not be used as reference or basis upon which future dividends are determined.

We do not expect to pay dividends in the year ending 31 December 2017 as we intend to use the net proceeds of the Share Offer and our distributable reserves for the implementation of our business plan as set out in the section headed “Future plans and use of proceeds” in this prospectus.

## **RISKS RELATING TO THIS PROSPECTUS**

### **Risk of accuracy and completeness of statistics and facts**

This prospectus, particularly the section headed “Industry overview” in this prospectus, contains information and statistics, including information relating to the futures brokerage industry in Hong Kong and the PRC. Such information and statistics have been extracted from various government official sources and publications and from a third party report commissioned by us. We believe that the sources of such information and statistics are appropriate for such information and statistics and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information and statistics are false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. Nevertheless, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the

## RISK FACTORS

economy and the industry derived from various public or governmental sources used in this prospectus may not be consistent with other information available from other sources and therefore, these statistics and facts should not be unduly relied upon. In addition, these information and statistics have not yet been independently verified by our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any of their respective directors or any other party involved in the Share Offer and therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

**Investors should read the entire prospectus carefully and should not consider any particular statements in this prospectus or in published media reports without carefully considering the risks and other information contained in this prospectus**

There may have been coverage in the media regarding the Share Offer and our operations. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this prospectus, we disclaim it. Accordingly, prospective investors should not rely on any of the information in press articles or other media coverage.

**Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information**

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors and our Group. Such forward-looking statements are based on numerous assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. Any and all of those assumptions could prove to be inaccurate and, as a result, the forward-looking statements based on those assumptions could also be incorrect. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section.

Subject to the GEM Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.



## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

Printed copies of this prospectus as required by the GEM Listing Rules and the Companies (Winding up and Miscellaneous Provisions) Ordinance are available for inspection, for information purposes only, during normal office hours from 9:00 a.m. to 5:00 p.m. at the office of Alliance Capital Partners Limited at Unit 1502-03A, Wing On House, 71 Des Voeux Road Central, Central, Hong Kong from Friday, 29 December 2017 to Thursday, 4 January 2018 (both dates inclusive).

### **INFORMATION ABOUT THE SHARE OFFER**

This prospectus is published solely in connection with the Share Offer and the listing of the Shares on GEM, which is solely sponsored by the Sole Sponsor and managed by the Joint Lead Managers.

The Share Offer comprises the Public Offer of 20,000,000 Shares initially offered by our Company and the Placing of 180,000,000 Shares (subject to reallocation on the basis set out under the section headed "Structure and conditions of the Share Offer" in this prospectus).

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein.

No person is authorised in connection with the Share Offer to give any information, or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and any of their respective directors, officers, agents, employees or any other person or parties involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed "Structure and conditions of the Share Offer" of this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed "How to apply for Public Offer Shares" of this prospectus and in the relevant Application Forms.

Neither the delivery of this prospectus or any subscription or acquisition made under it shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **UNDERWRITING**

This prospectus is published solely in connection with the Share Offer, which is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Joint Lead Managers (for themselves and on behalf of other Underwriters) and our Company. The Share Offer is managed by the Joint Lead Managers.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) by the Price Determination Date, the Share Offer will not become unconditional and will lapse. Further information relating to the Underwriters and the underwriting arrangement is set out in the section headed “Underwriting” of this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES**

As at the Latest Practicable Date, no action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make an unauthorised offer or invitation.

The Public Offer Shares are offered to the public for subscription solely on the basis of the information contained and the representations made in this prospectus and the related Application Forms. No person is authorised in connection with the Share Offer to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or employees or any other persons or parties involved in the Share Offer.

Each person acquiring the Offer Shares will be required to confirm, and is deemed by his acquisition of the Offer Shares to have confirmed, that he or she is aware of the restrictions on the offers and sales of Offer Shares described above and that he or she is not acquiring, and has not been offered, any such Shares in circumstances that contravenes any such restrictions.

The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered or sold, directly or indirectly, in the United States.

Prospective applicants for the Offer Shares should consult their financial advisers and take legal advice, as appropriate to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Offer Shares should inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **APPLICATION FOR LISTING OF OUR SHARE ON GEM**

Our Company has applied to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalisation Issue and the Share Offer any new Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or options that may be granted under the Share Option Scheme and as otherwise described herein.

No part of the Share or loan capital of our Company is listed, traded or dealt in on any other stock exchange at and, save as disclosed in the paragraph above, no such listing or permission to deal is being or proposed to be sought.

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment or transfer made in respect of any application of the Offer Shares will be invalid if permission for the listing of, and dealing in, the Shares on GEM has been refused before the expiration of three weeks from the date of closing of the Share Offer, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to us by the Stock Exchange.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of at least 25% of the total issued share capital of our Company in the hands of public (as defined in the GEM Listing Rules). A total of 200,000,000 Offer Shares representing 25% of the enlarged issued share capital of our Company will be in the hands of the public immediately following completion of the Capitalisation Issue and the Share Offer and upon Listing (without taking into account of any new Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or options that may be granted under the Share Option Scheme).

### **REGISTER OF MEMBERS AND STAMP DUTY**

All Shares in issue pursuant to applications in the Share Offer will be registered on our branch register of members of the Company to be kept in Hong Kong by Tricor Investor Services Limited. Our principal share register will be maintained in the Cayman Islands by our Company’s principal share registrar, Estera Trust (Cayman) Limited. The Shares are freely transferable, but only Shares registered on our branch share register maintained in Hong Kong may be traded on GEM, unless the Stock Exchange otherwise agrees.

Dealings in the Shares registered on the branch share register of our Company in Hong Kong will be subject to Hong Kong stamp duty. For further details about Hong Kong stamp duty, please refer to the paragraph headed “Taxation of holders of Shares” under the section headed “E. Other information” in Appendix IV to this prospectus. Dealings in the Shares will not be subject to Cayman Islands stamp duty.

Unless our Board determines otherwise, dividends payable in HK\$ in respect of the Shares will be paid by cheque sent at the Shareholder’s risk to the registered address of each Shareholder or, in the case of joint holders, the registered address of that one whose name stands first in the register in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on GEM are expected to commence on or about Friday, 12 January 2018. Shares will be traded in board lots of 8,000 each. The stock code of our Shares is 8350.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date as may be determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If investors are unsure about the details of CCASS settlement arrangement and how such arrangements will affect their rights and interests, they should seek the advice of their stock broker or other professional adviser.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder.

It is emphasised that none of our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Managers, the Co-Managers, the Underwriters and their respective directors or employees or any other persons involved in the Share Offer accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising any rights attached to them.

### **LANGUAGE**

If there are any inconsistencies between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

If there are any inconsistencies between the Chinese names of the entities or enterprises established in the PRC mentioned in this prospectus and their English translation, the Chinese names shall prevail. The English translations of the Chinese names of such PRC entities are provided for identification purposes only.

Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for reference only.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

### **EXCHANGE RATE CONVERSION**

In this prospectus, unless the context requires or otherwise stated, items of foreign currency (namely USD, EUR and JPY) are translated into the presentation currency of our Group (i.e. Hong Kong dollar), for illustrative purposes only, at the rates of USD1.00 = HK\$7.75, EUR1.00 = HK\$8.17, JPY100 = HK\$6.643.

No representation is made that any amount in USD, EUR and JPY could have been or could be converted at the above rates or at any other rates at all.

### **WEBSITE**

The contents of any website mentioned in this prospectus do not form part of this prospectus.

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**DIRECTORS**

<b>Name</b>	<b>Residential address</b>	<b>Nationality</b>
<i>Executive Directors</i>		
Mr. Poon Kwok Wah, Allan (潘國華)	43C, Block I, Illumination Terrace 5 Tai Hang Road, Tai Hang Hong Kong	Chinese
Mr. Chan Ying Leung (陳應良)	Flat A, 33/F, The Palace No. 83 Broadcast Drive Kowloon Tong, Hong Kong	Chinese
Ms. Lee Mei Chun (李美珍)	25/F., Flat E, Block 2 Connaught Garden 155 Connaught Road West Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. Chin Kam Cheung (錢錦祥)	Flat 3, 8/F. Kai Pong House Kai Tai Court, Kowloon Bay Hong Kong	Chinese
Mr. Ang Wayne Wu-yee (洪武義)	G/F 58 Hang Hau Village Tseung Kwan O, New Territories Hong Kong	Canadian
Mr. Siu Miu Man (蕭妙文)	Flat 7A, Tower 1 Parc Oasis, Tat Chee Avenue Kowloon Tong Hong Kong	Chinese

For further information on the profile and background of our Directors, please refer to the section headed “Directors, senior management and staff” of this prospectus.

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### PARTIES INVOLVED IN THE SHARE OFFER

<b>Sole Sponsor</b>	<b>Alliance Capital Partners Limited</b> Unit 1502-03A, Wing On House 71 Des Voeux Road Central Central Hong Kong
<b>Joint Bookrunners and Joint Lead Managers</b>	<b>Alliance Capital Partners Limited</b> Unit 1502-03A, Wing On House 71 Des Voeux Road Central Central Hong Kong  <b>Head &amp; Shoulders Securities Limited</b> Room 2511, Cosco Tower 183 Queen's Road Central Hong Kong
<b>Co-lead Manager</b>	<b>China Finance KAB Limited</b> 30th Floor, Chinachem Century Tower 178 Gloucester Road Wanchai Hong Kong
<b>Co-Manager</b>	<b>Fortune (HK) Securities Limited</b> 35/F, Office Tower Convention Plaza Wanchai Hong Kong
<b>Underwriters</b>	<b>Alliance Capital Partners Limited</b> Unit 1502-03A, Wing On House 71 Des Voeux Road Central Central Hong Kong  <b>Head &amp; Shoulders Securities Limited</b> Room 2511, Cosco Tower 183 Queen's Road Central Hong Kong  <b>China Finance KAB Limited</b> 30th Floor, Chinachem Century Tower 178 Gloucester Road Wanchai Hong Kong

**DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER**

**Fortune (HK) Securities Limited**

35/F, Office Tower

Convention Plaza

Wanchai

Hong Kong

**Legal adviser to our Company**

*As to Hong Kong Law*

**TC & Co.**

Units 2201–3, Tai Tung Building

8 Fleming Road

Wan Chai

Hong Kong

*As to Hong Kong Law*

**Ms. Ng Wing Shan Queenie**

Barrister-at-law

Rooms 2203 A & B, Fairmount House

8 Cotton Tree Drive

Central

Hong Kong

*As to Hong Kong Law*

**Mr. Tai Kwan Hang Jonathan**

Barrister-at-law

Rooms 913–915, 9/F. Fairmount House

8 Cotton Tree Drive

Central

Hong Kong

**Legal adviser to our Company**

*As to Cayman Islands Law*

**Appleby**

2206–19 Jardine House

1 Connaught Place

Central

Hong Kong

**Legal adviser to our Company**

*As to PRC Law*

**Tian Yuan Law Firm**

10th Floor, China Pacific Insurance Plaza

28 Fengsheng Hutong

Xicheng District

Beijing, PRC



<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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**Legal adviser to the Sole Sponsor  
and the Underwriters**

*As to Hong Kong Law*  
**Charltons**  
12th Floor  
Dominion Centre  
43–59 Queen’s Road East  
Hong Kong

**Auditors and reporting accountants**

**KPMG**  
*Certified Public Accountants*  
8/F, Prince’s Building  
10 Chater Road  
Central, Hong Kong

**Industry consultant**

**Frost & Sullivan Limited**  
1706, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Compliance adviser**

**Alliance Capital Partners Limited**  
Unit 1502–03A, Wing On House  
71 Des Voeux Road Central  
Central  
Hong Kong

**Receiving banker**

**Standard Chartered Bank (Hong Kong) Limited**  
15th Floor, Standard Chartered Tower,  
388 Kwun Tong Road,  
Kwung Tong, Kowloon  
Hong Kong

## CORPORATE INFORMATION

<b>Registered office</b>	PO Box 1350, Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Headquarters and principal place of business in Hong Kong</b>	Room 2512, Cosco Tower 183 Queen's Road Central Hong Kong
<b>Company's website address</b>	<b><u><a href="http://www.excalibur.com.hk/">http://www.excalibur.com.hk/</a></u></b> <i>(information contained in this website does not form part of this prospectus)</i>
<b>Company secretary</b>	<b>Mr. Lo Wai Hang (羅偉恆) (HKICPA)</b> Flat F, 8/F, Block 5, Jubilant Place 99 Pau Chung Street, To Kwa Wan Kowloon, Hong Kong
<b>Authorised representatives</b>	<b>Mr. Poon Kwok Wah, Allan (潘國華)</b> 43C, Block I, Illumination Terrace 5 Tai Hang Road, Tai Hang Hong Kong  <b>Mr. Chan Ying Leung (陳應良)</b> Flat A, 33/F, The Palace No. 83 Broadcast Drive, Kowloon Tong Hong Kong
<b>Compliance officers</b>	<b>Mr. Poon Kwok Wah, Allan (潘國華)</b> 43C, Block I, Illumination Terrace 5 Tai Hang Road, Tai Hang Hong Kong  <b>Ms. Lee Mei Chun (李美珍)</b> 25/F., Flat E, Block 2, Connaught Garden 155 Connaught Road West Hong Kong
<b>Audit committee</b>	Mr. Chin Kam Cheung (錢錦祥) ( <i>Chairman</i> ) Mr. Ang Wayne Wu-yee (洪武義) Mr. Siu Miu Man (蕭妙文)
<b>Remuneration committee</b>	Mr. Ang Wayne Wu-yee (洪武義) ( <i>Chairman</i> ) Mr. Siu Miu Man (蕭妙文) Mr. Chin Kam Cheung (錢錦祥)

## CORPORATE INFORMATION

**Nomination committee**

Mr. Poon Kwok Wah, Allan (潘國華) (*Chairman*)  
Mr. Ang Wayne Wu-yee (洪武義)  
Mr. Siu Miu Man (蕭妙文)

**Principal share registrar and  
transfer office**

**Estera Trust (Cayman) Limited**  
P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman KY1-1108  
Cayman Islands

**Hong Kong branch share registrar and  
transfer office**

**Tricor Investor Services Limited**  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

**Principal bankers**

**Hang Seng Bank Limited**  
83 Des Voeux Road Central  
Hong Kong

**HSBC**  
1 Queen's Road Central  
Hong Kong

## INDUSTRY OVERVIEW

*This section contains information which is derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading. The information has not been independently verified by us, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any of their affiliates or advisers, nor any other party involved in the Share Offer and no representation is given as to its accuracy. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside Hong Kong and the information should not be relied upon in making, or refraining from making, any investment decision. Our Directors confirm that after taking reasonable enquiries, there have been no material adverse changes in the market information since the date of issue of the Industry Report which maybe qualify, contradict or have an impact on the information in this section below.*

### SOURCE OF INFORMATION AND RESEARCH METHODOLOGY

We have commissioned Frost & Sullivan, a market research consulting firm and an Independent Third Party, to conduct an analysis on the futures trading brokerage market in Hong Kong and to report on the industry, development trends and competitive landscape of the market in consideration of a total fee of HK\$600,000.

Frost & Sullivan is a global consulting company founded in 1961 in New York, and its services include, among others, independent market research, economic research, customer research, competitive intelligence and corporate strategy. Frost & Sullivan has direct access to knowledgeable experts and market participants in the futures trading brokerage market. Information and statistics contained in this section were derived from interviews with industry experts and competitors, official statistical sources, publicly available information and market indicators for modeling.

All statistics are based on information available as at the date of the Industry Report. The market research covers historical years of 2011 to 2015, the base year of 2016 and the forecast period of 2017–2021. Where 2016 figures were not available from public statistical sources at the time of the study, Frost & Sullivan would use the latest information available (e.g. 2015) or make projections based on historical trends.

The Industry Report and estimates and forecasts contained therein was compiled based on the following assumptions: (i) the global economy is assumed to maintain a steady growth across the forecast period; and (ii) there is no external shock such as financial crisis or the wide outbreak of diseases which may affect the futures trading brokerage market in Hong Kong during the forecast period.

Value and percentage figures in this report are all rounded. Figures may not add up to the respective totals owing to rounding. The foreign exchange rate between US\$ and HK\$ is 1:7.7671.

### OVERVIEW OF THE FUTURES MARKET AND MAJOR FUTURES EXCHANGES

Futures are contracts obligating buyer/seller to buy/sell a specified property at a predetermined price and date. Futures contracts include, among others, index futures, forex futures, energy futures, precious metal futures, industrial metal futures, agricultural futures and rubber futures depending on the underlying asset. Options are contracts which give the holder the right, but not the obligation, to buy or sell a specified property at a predetermined price and date.

Excalibur Global HK is a provider of futures brokerage services in Hong Kong which provides futures broking and trading services to its clients in respect of futures and index option products traded on, among others, the following major futures exchanges:

#### (i) The Hong Kong Futures Exchange (HKFE)

Established in 1976, the Hong Kong Commodities Exchange (renamed as the Hong Kong Futures Exchange (HKFE) in 1985) is one of the pioneers in the Asia-Pacific region in respect of its futures and options business. In 1986, the HKFE launched its flagship product, the HSI Futures, and has since been committed to consistently innovating product categories of futures contracts, promoting the sustained

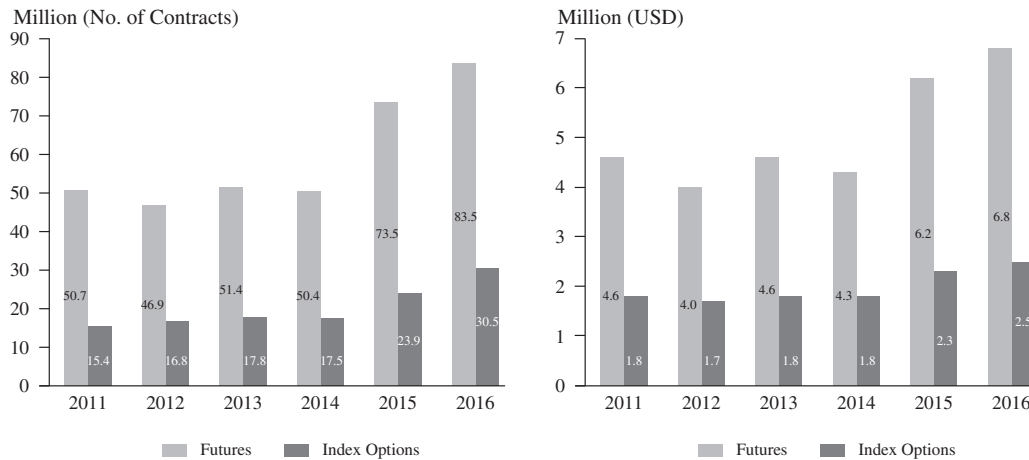
## INDUSTRY OVERVIEW

increase of contracts number. Since the 1990s, the introduction of futures into China and the emergence of the CSI 300 Index futures have driven Chinese interest in futures trading, which in turn favoured the Hong Kong futures market.

The total number of futures contracts traded on the HKFE increased from 50.7 million in 2011 to 83.5 million in 2016 (representing a CAGR of 10.5%) and the total value of futures contracts grew from US\$4.6 million to US\$6.8 million over the same period.

The total number of index options traded on the HKFE increased from 15.4 million in 2011 to 30.5 million in 2016 (representing a CAGR of 14.6%) and the total value of index options grew from US\$1.8 million to US\$2.5 million over the same period.

### Number of futures and index option contracts traded on, and total value of futures and index options of, HKFE (2011–2016)



Source: SFC, World Federation of Exchanges, Frost & Sullivan

Note: The figures depicted in the chart exclude futures products traded on the London Metals Exchange, a commodities exchange acquired by the HKEx Group in December 2012.

### (ii) The CME Group Inc.

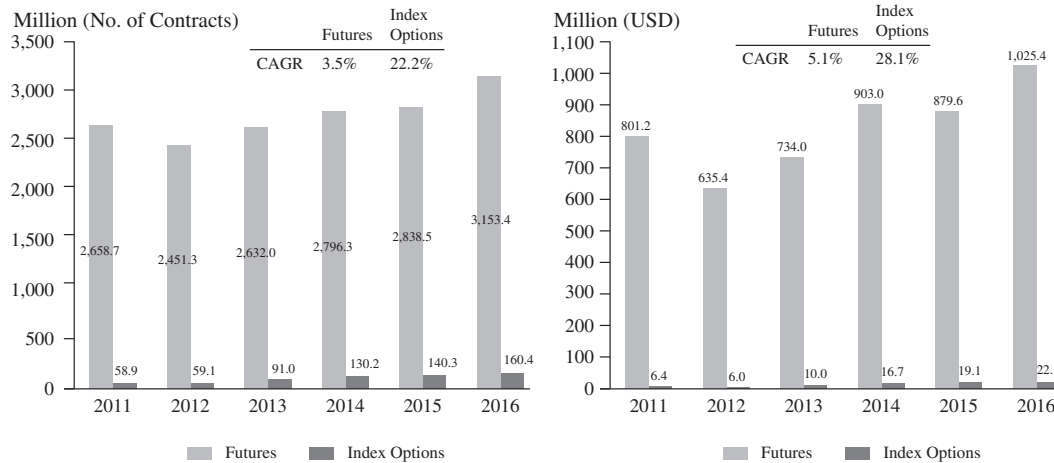
The CME Group Inc. is an American futures and options exchange headquartered in Chicago, U.S. and is the world's leading marketplace for financial derivatives. Member exchanges of the CME Group Inc. include the Chicago Mercantile Exchange (CME), Chicago Board of Trade (CBOT), Commodity Exchange, Inc (COMEX) and New York Mercantile Exchange (NYMEX). Products traded include index futures and options, energy futures, precious metal futures, industrial metal futures and agricultural futures.

The CME Group Inc. saw continued growth in the number of futures and index option contracts traded over its member exchanges. The number of futures contracts traded over these exchanges grew from 2.66 trillion in 2011 to 3.16 trillion in 2016 (representing a CAGR of 3.5%) and the total value of futures contracts grew from US\$801.2 million to US\$1.03 trillion over the same period. The average daily volume from Mainland China increased from 10,000 contracts in mid-2015 to more than 30,000 contracts in the first quarter of 2016 as stock market tremor in China during the period had led PRC investors to turn to trading of futures over the regulated markets of CME Group Inc. which has good liquidity. This trend is expected to continue.

The number of index options traded over these exchanges increased from 58.9 million to 160.4 million (representing a CAGR of 22.2%) and the total value of index options grew from US\$6.4 million to US\$22.1 million over the same period. The surge in trading volume was attributable to the adoption of electronic trading across the relevant exchanges which enable traders across the globe to effect trades electronically.

## INDUSTRY OVERVIEW

### Number of futures and index option contracts traded on, and total value of futures contracts and index options of, The CME Group Inc. (2011–2016)

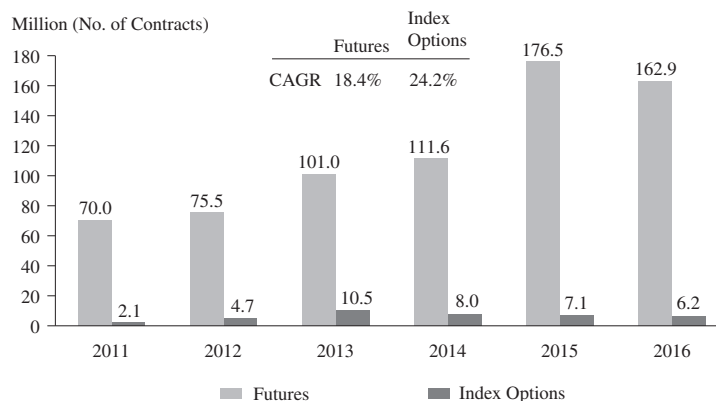


Source: The World Federation of Exchanges, Frost & Sullivan

### (iii) The Singapore Exchange (SGX)

The Singapore Exchange (“SGX”), a multi-asset exchange of equity, fixed income and derivative products based in Singapore. The number of futures contracts traded over the SGX more than doubled from 70 million in 2011 to 162.9 million in 2016 (representing a CAGR of 18.4%) while the number of index options traded increased from 2.1 million to 6.2 million over the same period (representing a CAGR 24.3%). Despite the year-on-year growth in number of index options traded on SGX from 2011 to 2013, the volume of index options trades declined over the period from 2014 to 2016 due to relatively inactive capital market movement on the SGX during that period.

#### Number of futures and index options contracts traded on SGX (2011–2016)



Source: The World Federation of Exchanges, Frost & Sullivan

Note: Notional turnover is not available on the World Federal of Exchanges

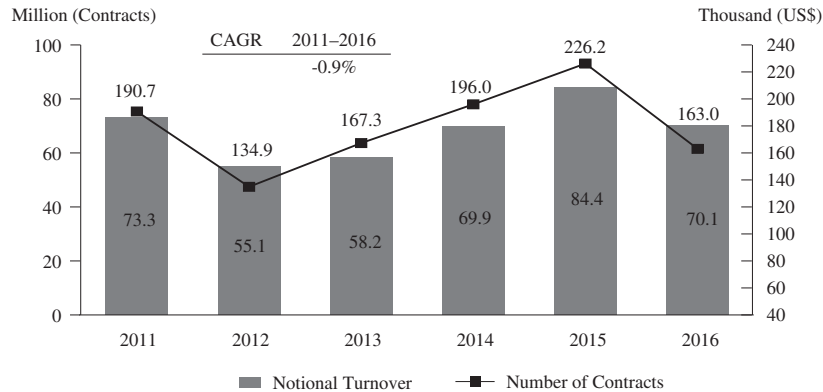
### The Stock Exchange of Hong Kong Limited (Stock options)

Excalibur Global HK intends to commence trading of stock options traded on HKEx in the near future. Over the period from 2011 to 2016, the amount of stock options contracts traded over HKEx decreased from 73.3 million to 70.1 million (representing a CAGR of -0.9%). The global financial crisis in 2011 resulted in a massive drop in trading volume of stock options in 2012 to 55.1 million due to uncertainties and fear circulated within the financial market. However, the amount of trading recovered due to an influx of investments from Mainland investors. The drop in trading volume of stock options in

## INDUSTRY OVERVIEW

2016 was primarily due to uncertainty arising from the launch of financial reforms relating to the stock market in the PRC, which had resulted in adjustments by Mainland investors in their investment allocation between domestic and offshore markets (and overall decrease in trading of stock options listed on the HKEx). The number and trading volume of stock options has rebounded in the first quarter of 2017 and is expected to increase further as impact caused by the uncertainty of PRC financial reforms subsides over time. In particular, the number of stock options traded has increased from approximately 17 million in the first quarter of 2016 to approximately 21 million contracts in the first quarter of 2017, and the average daily volume (ADV) of stock options in the first quarter of 2017 has increased approximately 13.7% to 338,771 contracts compared to the full year ADV of 2016.

### Number of stock options contracts and total value of stock options turnover traded on HKFE (2011–2016)



*Source: The World Federation of Exchanges, Frost & Sullivan*

The decrease in market turnover in respect of trading of stock option contracts in FY2016 was not reflective or indicative of the general market trend. In particular, it should be noted that while the volume in market turnover of stock options trading may have declined from time to time on a year-on-year basis over the last decade or so, the number of stock option contracts traded has overall increased since 2005. The upward trend in trading volume of stock options products over the last decade correlates to the continued development and maturity of the financial market in Hong Kong. Based on published market statistics from the HKEx, during the past 10 years to 2016, the number of companies listed on the HKEx has increased from 1,173 at end 2006 to 1,973 at end 2016. More importantly, average daily stock trading volume on HKEx has increased by more than 2.4 times from HK\$35.5 billion in 2006 to HK\$86.9 billion. With increasing stock market trading activities, trading of stock options also increased substantially (from approximately 70,000 contracts per trading day in 2006 to approximately 300,000 contracts per trading day in 2016) as more stock option products became available as a result in an expanded list of listed companies on the HKEx. Some factors that have influenced the growth of the stock options market are unique to Hong Kong, for instance, Hong Kong has a large number of Mainland enterprises listed on the HKEx. Growth in the stock options market has also been encouraged by: (i) the narrowing of trading spreads and the relaxation of position limits over the years; (ii) active marketing campaigns and investor education provided by the HKEx and brokerage firms (which have encouraged participation from retail investors who are becoming more sophisticated and familiar with stock options trading); (iii) other initiatives of the HKEx to promote the stock options market. Due to the above factors, Hong Kong remains as one of the most developed stock options markets in Asia and stock options remain one of the most active exchange-traded derivatives in Hong Kong. Further, with increasing disposal income of PRC investors and investor education in the PRC, it is expected that potential growth in the stock option market in Hong Kong will be further supported by interests from PRC investors. As such, the market outlook for the stock options market remains positive.

An increase in volume of stock and stock options trading on the HKEx will naturally give rise to an increase in need for securities margin financing (to support clients in their acquisition of underlying stock upon exercise of stock options). As such, it is expected that the market outlook for the retail margin financing market will continue to be positive.



## INDUSTRY OVERVIEW

### OVERVIEW OF HONG KONG FUTURES BROKERAGE MARKET

Futures brokerage service is the service carried out by brokers for investors to facilitate their buying and selling of futures between a buyer and a seller.

The range of futures brokerage related services (such as advisory and research reports) as well as the variety of futures and options products which may be offered to clients may vary among futures brokerage firms. In general, futures brokerages in Hong Kong tend to use one or more trading systems (which may be in-house online trading platforms or external trading platforms provided by third parties) in the provision of online trading services to their clients.

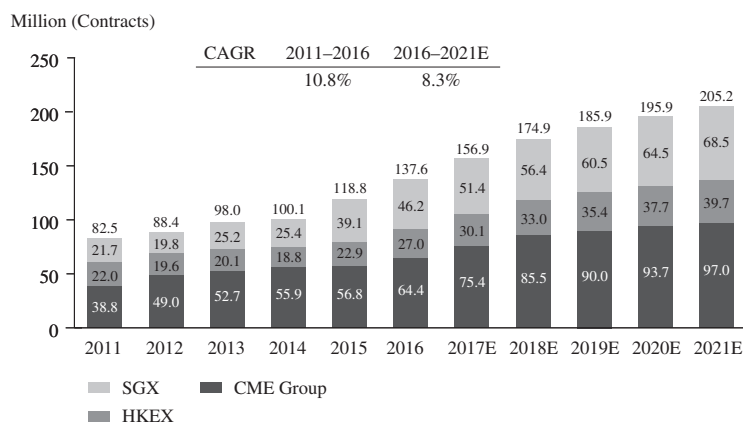
Excalibur Global HK is a local futures brokerage firm targeting retail investors which provides, among other things, brokerage services (mainly through its online trading platform), advisory and market commentary to its clients. Excalibur Global HK generated approximately 99.3% of its revenue in 2016 from broking of futures traded on SGX as well as member exchanges on each of the HKEx Group (including HKFE and the LME) and the CME Group Inc. (including CME, CBOT, COMEX and NYMEX) (collectively, the “**Relevant Exchanges**”). The information contained below focuses on trading by retail investors of futures contracts on these key markets.

#### Market size of Hong Kong retail futures market

The amount of brokerage fees and commissions which may be derived by futures brokerages is directly correlated to the amount of futures contracts traded by their clients through them. As such, the size of the retail futures market can be reflected by the volume of trading transacted by retail investors.

The total volume of trading by Hong Kong retail investors in futures products listed on the Relevant Exchanges increased from 82.5 million contracts in 2011 to 137.6 million contracts in 2016 (representing a CAGR of 10.8%). Among these exchanges, growth of trading of products listed on the SGX by retail investors was the strongest, mainly due to product innovation leading to a wider variety of available futures contracts for trading.

#### Total volume of trading by Hong Kong retail investors in futures products listed of the Relevant Exchanges (2011–2021E)



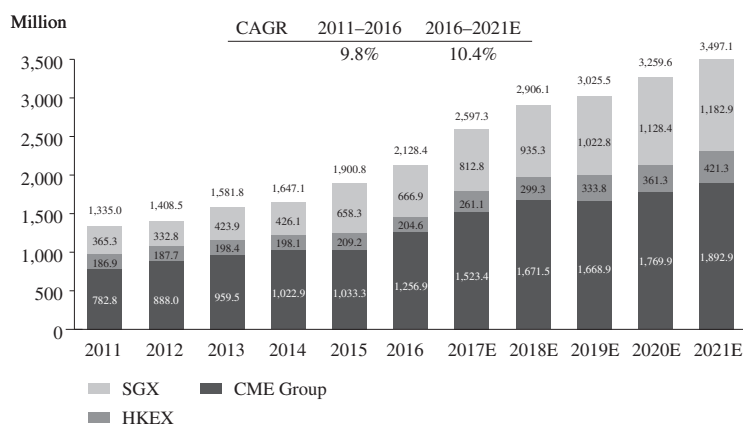
Source: Frost & Sullivan

Note: HKEx includes HKFE and LME while CME Group includes CBOT, NYMEX, COMEX and CME.

The total amount of brokerage fees generated by brokerage firms from broking trades for Hong Kong retail investors on the Relevant Exchanges increased from US\$1.34 billion in 2011 to US\$2.13 billion in 2016 (representing a CAGR of 9.8%).

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### Total amount of brokerage fees income from broking activities for Hong Kong retail investors on the Relevant Exchanges (2011–2021E)



Source: Frost & Sullivan

Note: HKEx includes HKFE and LME while CME Group refers to CBOT, NYMEX, COMEX and CME.

### Major drivers of growth in the Hong Kong retail futures market

It is expected that the Hong Kong retail futures market will be driven by the following major drivers of growth in the near future:

(i) *increase in number of Mainland Chinese futures traders*

Market turbulence of the PRC securities market in recent years coupled with financial market reforms relating to the local securities market has heightened the needs of Chinese investors to explore alternative investment options.

Against such backdrop, the further integration of economies and bilateral opening of capital markets between Hong Kong and the PRC (such as the Shanghai-Hong Kong Stock Connect) has made Hong Kong the first choice for Mainland Chinese investors seeking access to global financial markets for broader investment opportunities and wealth diversification. Futures are one of the most popular investment products for these investors given its use in a variety of trading strategies.

As such, more and more Hong Kong futures brokerages are gearing themselves (including setting up of branch offices, developing Putonghua market campaigns and seminar as well as establishing channels for distributing content to the customers in Mainland China to promote the Hong Kong and overseas futures market.

(ii) *increase in number of sophisticated and wealthy investors*

Retail investors in Hong Kong and Mainland China are becoming more experienced and knowledgeable in derivative trading; in particular, many of these investors have shifted from a pure stock investment strategy to a more sophisticated strategy involving the use of futures for investment diversification and hedging risk exposures.

Further, both Mainland China and Hong Kong have continued to maintain growth in their respective economies where: (a) in Hong Kong, over the years from 2011 to 2016, the nominal GDP and per capita GDP grew at a CAGR of 4.9% and 4.2%, the HNWI population grew at a CAGR of 14.2% to 142.4 thousand from 2011 to 2015, and the median monthly household income grew at a CAGR of 5.9%; and (b) in Mainland China, over the years from 2011 to 2016, the nominal GDP and per capita GDP grew at a CAGR of 9.1% and 8.5%, the HNWI population grew at a CAGR of 16.5% to over a million, and the per capita disposal income grew at a CAGR of 9.4%.

The growing number of HNWI as well as the increase in level of disposal income in both Hong Kong and Mainland China is expected to increase the number of potential investors who are able to bear the risks associated with futures trading, and is therefore expected to stimulate the futures trading market.

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### *(iii) rising volatility in the global capital markets*

Rising volatility in global capital markets is expected to continue to drive active trading in futures markets across global exchanges as investors often use futures products to hedge their risk exposures in such environments.

Uncertainties over the timing of U.S. interest rate increase, political instability in the United Kingdom arising from Brexit, and devaluation of the RMB, are some of the many factors that may continue to cause fluctuations in global securities market and price volatility in oil and other commodities. Such fluctuations and volatility will likely increase investors' appetite to trade in futures.

### *(iv) integration of cross-border trading platforms*

The substantial increase in the number of investors trading financial derivatives globally has led to a proliferation in the number of, and integration of, execution platforms enabling cross-border trading. This has in turn led to an increase in the choice of derivative products available to investors, and greater market liquidity, which further boosts the global trading volume of derivative such as futures and options. An expanded product portfolio also allows investors to execute various trading strategies in hedging, speculation and asset allocation so as to minimize unsystematic risk. It is anticipated an increase in the number of global derivative execution platforms will be one of the growth engines for Hong Kong based brokerage firms.

On the basis of these drivers of growth in the Hong Kong retail futures market, it is expected that:

- (i) the estimated total volume of trading by Hong Kong retail investors in futures products listed on the Relevant Exchanges would increase from 137.6 million in 2016 to 205.2 million in 2021 (or at a CAGR of 8.3%); and
- (ii) the estimated total amount of brokerage fees that may be generated by brokerage firms from broking trades for Hong Kong retail investors on the Relevant Exchanges would increase from US\$2.13 billion in 2016 to US\$3.50 billion in 2021 (or at a CAGR of 10.4%).

## **OVERVIEW OF THE COMPETITIVE LANDSCAPE OF HONG KONG FUTURES BROKERAGE MARKET**

As at 31 December 2016 and the Latest Practicable Date, 232 and 239 trading right holders respectively were registered with the HKFE, comprising 180 and 186 trading HKFE Participants as at the respective dates.

There are three main types of market participants, namely international large-scale investment banks, PRC-funded brokerage companies and local brokerage companies. Local companies represent the largest player group, which accounted for 76.1% of the total number of market players in 2016, while PRC-funded companies and international large-scale investments banks accounted for 17.2% and 7.2% of the total number of market participants in the same period.

Excalibur Global HK is a local brokerage company which enables its clients to trade in both local HKFE products as well as futures products listed on global futures exchanges. There are no publicly available statistics as to breakdown of the number of futures brokerage firms in Hong Kong which carries out the broking of trades of HKFE products only or which also facilitate clients' access to future products listed on global futures exchanges.

Of those futures brokerage firms which allow clients to trade global futures products, the norm is for these firms to have arrangements with overseas brokers whereby clients trade orders are forwarded to foreign brokers (with trading rights to the relevant trading rights) for execution, and vice versa.

Given such integration arrangement among brokerages in different jurisdictions, investors across the globe would have access to both locally traded as well as globally traded futures contracts, and this is a key driver of growth in the futures market. For the same reason, Excalibur Global HK competes with brokerages firms around the world for market share in terms of volume of trade executed through relevant exchanges, and its market share is therefore not significant. In particular, based on available information, Excalibur Global HK:

- (i) ranked 57th, 49th, 88th and 44th in terms of execution volume of HSI Futures, HSI Options, H-share Index Futures and H-share Index Options respectively over the second quarter of FY2017, with a market share of less than 0.3% of the total market share for each of these product; and

## INDUSTRY OVERVIEW

- (ii) has a market share of 0.24% in terms of commission income generated by all brokerage firms who facilitate trades over the Relevant Exchanges in FY2016.

### **Profiles of key competitors**

The key competitors of Excalibur Global HK include those local futures brokerage firms who target retail investors of futures contracts in Hong Kong and Mainland China and who also provides client with speedy and reliable access to HKFE products as well as products traded on other major global futures exchanges. The following table sets out the profile of some notable key competitors of Excalibur Global HK:

	Exchange connectivity	Futures product types (as of October 2016)	Branches network	Service offering	Investors education
Excalibur Global HK	<10	~70	1 (HK)	<ul style="list-style-type: none"> <li>● Market commentary</li> <li>● Brokerage</li> </ul>	<ul style="list-style-type: none"> <li>● Seminar</li> </ul>
Bright Smart Securities & Commodities	<10	~70	20 (HK)	<ul style="list-style-type: none"> <li>● Market commentary</li> <li>● Brokerage</li> </ul>	<ul style="list-style-type: none"> <li>● E-Learning</li> <li>● TV channel</li> <li>● Seminar</li> </ul>
Quam Securities & Futures (Quam)	>10	>100	1 (HK) 9 (Mainland China)	<ul style="list-style-type: none"> <li>● Research</li> <li>● Market commentary</li> <li>● Brokerage</li> </ul>	<ul style="list-style-type: none"> <li>● NA</li> </ul>
CASH Financial Services Group	<10	~70	4 (HK) 2 (Mainland China) 1 (Oversea)	<ul style="list-style-type: none"> <li>● Research</li> <li>● Market commentary</li> <li>● Brokerage</li> </ul>	<ul style="list-style-type: none"> <li>● NA</li> </ul>
Chief Securities (Chief)	<10	~70	21 (HK) 3 Mainland China	<ul style="list-style-type: none"> <li>● Research</li> <li>● Market commentary</li> <li>● Brokerage</li> </ul>	<ul style="list-style-type: none"> <li>● NA</li> </ul>
Industry Commentary	Quam has the largest number of futures product types listed on more than 10 exchanges.		Chief and Quam have the well established branch network in HK and Mainland China respectively.	The offering of research to clients has become commonplace among local futures brokers and in line with industry.	Bright Smart allocates resources in building multi-media platform to deliver market commentaries.

Local brokerage companies have both strengths and weaknesses in the bespoke areas primarily due to focus in different customer segments. It is observed that, increasing number of local brokers are shifting their focus to Mainland China to expand their customer base and including HNWI customers in Mainland China.

At present, Excalibur Global HK offers a comparable number of futures products to its key competitors and offers similar key service to its clients, except that it currently does not have research capabilities which is common among local brokers.

Excalibur Global HK does not rely on a branch network to service investors in different geographical locations in Hong Kong or in Mainland China, but rather depends on educational seminars to attract investors and to promote and market its services. It appears from the analysis that Excalibur Global HK has a relatively lean operation vis-à-vis its key competitors while it strives to offer similar services to clients.

### **Future outlook of the Hong Kong retail futures brokerage market**

It is expected that competition in the local retail futures brokerage market will remain highly vigorous in the near future due to the large number of market participants, and will be affected by the following factors in the future:

#### *(i) sustained investment in IT infrastructure*

Financial technology is taking an increasingly important role in transforming futures trading businesses. Those futures brokerages that succeed in optimising IT resources may outperform competitors through increasing the speed, capability and/or security of their trading facilities.

As such, it is expected that futures brokerages will continue to acquire new servers and build data centres to increase the capacity and speed of their trading systems (which is a top priority for clients) while enhancing the functionality of their trading platforms (from pre-trade risk management to clearing, settlement and other analytical tools).

## INDUSTRY OVERVIEW

### *(ii) continued penetration of online trading business*

The rapid development in internet and mobile internet technologies has led to an increase in the volume of online trading by investors. In recent years, online trading has become increasingly popular in the local retail brokerage market as it enables traders to exert control over their investments (including placing of trade orders as well as accessing of marketing information) conveniently through the use of online trading platforms and mobile applications. It is expected that online platforms will continue to be a major trading channel for investors in the near future.

### *(iii) competitive pricing and marketing strategies*

Given the competitiveness of the futures brokerage industry, futures brokerages may adopt aggressive marketing strategies (such as offer monthly-fixed charge plans, commission ceiling plans or provide commission coupons) or offer favourable brokerage charges to seize opportunities to enlarge their client base and expand their market coverage. Some brokerage firms may also devote resources to promotional and marketing campaigns as well as leverage their branch networks and business relationships in a bid to expand their client base.

### *(iv) diversified service mode*

To better serve their various clients' demands and compete for market share in the competitive futures market in Hong Kong, brokerages are expected to provide more value-added services to attract new clients, maintain existing clients and maintain competitiveness. These include the provision of global market information and investment analyses, to enhance investors' financial knowledge, assist them in exploring opportunities as well as encourage them to use futures as part of their investment strategy. Further, in addition to traditional marketing initiatives and campaigns to target retail investors, an increasing number of futures brokers are using interactive platforms, workshops and seminars to promote investors' participation and enhance their familiarity to futures products offered by them for trading.

### *(v) shift in focus of business development to Mainland China*

As (i) the PRC government continues to promote the trading of futures, options and indexes under the PRC futures industry reform; (ii) the level of disposal income and number of HNWI in the PRC continues to grow; and (iii) the further integration of economies and bilateral opening of capital markets between Hong Kong and the PRC, Mainland Chinese investors are now one of the major target groups for local brokerage firms focused on serving retail customers. As such, an increasing number of local brokerages has or will establish branches and offices in Mainland China to boost their visibility and marketing efforts in the PRC.

### **Future outlook of the Hong Kong retail stock options market**

The future outlook of the Hong Kong retail stock options brokerage market is very similar to that of the Hong Kong retail futures brokerage market due to the similar derivative nature of futures contracts and stock options. Further, the margin call methodology and credit risk policies in relation to the trading of stock options with margin financing is very similar to the margin call methodology and credit risk policies used by futures brokers. As such, stock options brokerage firms providing margin financing in Hong Kong faces similar market drivers of growth and barriers as they share a similar competitive landscape with futures brokerage firms. For further details of the market outlook of the Hong Kong retail stock options market, please refer to the paragraph headed "The Stock Exchange of Hong Kong Limited (Stock options)" above.

### **Entry barriers to the Hong Kong retail futures brokerage market**

The following are the key entry barriers faced by new entrants to the retail futures brokerage market in Hong Kong:

#### *Regulatory requirements*

The SFC is responsible for regulating the securities and futures market in Hong Kong. The SFO, along with its subsidiary legislations, are the principal legislation that regulates the futures industry in Hong Kong. The SFC operates a system of authorising corporations and individuals to act as financial intermediaries through licenses. Through licensing, the SFC regulates the financial intermediaries of licensed corporations and individuals that carry out regulated activities including dealing in and advising on futures products. As a highly regulated industry, the cost for new entrants to comply with and fulfill licensing conditions and ongoing regulatory requirements is very high.

## INDUSTRY OVERVIEW

### *Requirement to comply with the FRR*

The FRR applies to all corporations licensed to conduct one or more types of regulated activities. They are designed to address risks arising from various aspects of the regulated activities carried out by licensed corporations and aim to ensure that licensed corporations have sufficient liquid assets to meet ongoing liabilities as they fall due. Licensed corporations are required to comply with the capital requirements of the FRR in order to become and remain licensed with the SFC. As a safeguard against non-compliance, licensed corporations are required to periodically report their financial positions to the SFC. New entrants and existing licensed corporations will face challenges from meeting the requirements stipulated by the FRR; in particular, as conventional means of external financing such as bank borrowings do not improve the FRR position of a licensed corporation.

### *Experience and knowledge of trading brokers*

To order for trading brokers to be able to provide quality trading advice and services to clients on a timely fashion, they are required to have years of experience and market know-how. This is regarded as the most valuable human resources to investors in the futures industry, but at the same time it takes time and effort for a brokerage firm to recruit and retain experienced brokers.

### *IT Infrastructure*

In the futures brokerage industry, speed of data access is extremely crucial to investors as they value instant and real time market information. In order to be competitive, a new entrant may need to devote substantial resources to develop and maintain a fast, reliable and smooth trading platform and IT infrastructure with connectivity to various futures exchanges for their clients. Further, they are also faced with the challenge of keeping up to date with technological innovations, for example, the development of mobile applications, in order to meet the demands of clients.

### *Fierce competition*

Futures brokerages, including international large-scale investment banks, PRC-funded futures brokerages and local futures brokerages, compete intensively for a larger market share. Leading players in the industry usually have years of experience, a pool of talent, a sound reputation, large client base, long-established local network and business relationships, and mature business models and operating processes. Compared with these established market participants, new entrants may have limited and inadequate resources in terms of pricing, scale, turnover, client base, talent and capital.

### **The industry development and strategic importance of Qianhai to the futures brokerage industry**

The number of companies registered in Qianhai amounted to approximately 124,000 in 2016. The largest portion of these companies (approximately 47%) were engaged in the banking and finance sector and it is expected that the ratio of financial firms would continue to rise due to, without limitation:

- (i) supportive policies of the PRC government to promote Qianhai as a financial services hub;
- (ii) more financial firms from Hong Kong setting up offices in Qianhai to capitalise on opportunities arising from the “Belt and Road Initiative” of the PRC government which is aimed at increasing market integration and co-operation among the member countries as well as to accelerate the opening up China’s financial and capital markets. In particular, major financial institutions such as the Hong Kong and Shanghai Banking Corporation (HSBC), Bank of East Asia and the Hang Seng Bank have set up joint venture brokerage firms in Qianhai to explore growing opportunities; and
- (iii) the entering of a memorandum of understanding between the HKEx and the Authority of Qianhai in September 2016 aimed at exploring potential cooperation in the fields of financial services and financial innovation.

In addition to growing prominence of the financial services players in Qianhai, it is also expected that Qianhai will become more strategically important to the PRC futures brokerage industry. In particular, HKEx announced in April 2016 that it plans to establish of a metals-trading platform and warehouse in Qianhai (which will serve the real economy by realising physical delivery of commodities and seek cooperation with PRC’s commodities markets) and it is expected that this will increase the number of futures market participants in Qianhai through admission of clearing members for various commodities.



# REGULATORY AND LICENSING REQUIREMENTS

## REGULATORY OVERVIEW

### APPLICABLE HONG KONG LAWS AND REGULATIONS

This section sets out summaries of certain aspects of the regulatory environment as well as laws and regulations in Hong Kong which are relevant to the business and operations of our Group. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to our Group.

The SFO is the primary legislation regulating the securities and futures industry in Hong Kong, including the regulation of securities, futures, leveraged foreign exchange and derivative markets, credit ratings, intermediaries and their conduct of regulated activities and the offering of investments to the public in Hong Kong.

The SFC is an independent statutory body which administers the SFO and is responsible for regulating the securities and futures market in Hong Kong. The SFC works to strengthen and protect the integrity and soundness of Hong Kong's securities and futures markets for the benefit of the investors and the industry.

The SFC's regulatory objectives as set out in the SFO are:

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

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

The investigative, remedial and disciplinary powers of the SFC are derived from the SFO and its subsidiary legislation.

#### **A. Licensing regime**

The SFC operates a system of authorising corporations and individuals (through licences) to act as financial intermediaries.



## REGULATORY AND LICENSING REQUIREMENTS

Under the SFO, any person who (i) carries on a business in a regulated activity; or (ii) holds itself out as carrying on a business in a regulated activity, must be licensed under the relevant provisions of the SFO for carrying on such regulated activity, unless one of the exceptions under the SFO applies. In addition, only a company incorporated in Hong Kong or an overseas company registered under Part 16 of the Companies Ordinance as a non-Hong Kong company can be licensed to carry out a regulated activity under the SFO. It is an offense for a person to conduct any regulated activity without the appropriate licence.

In addition to the licensing requirements on corporations, any individual who: (i) performs any regulated function in relation to a regulated activity carried on as a business; or (ii) holds himself or herself out as performing such regulated function, must separately be licensed under the SFO as a licensed representative accredited to his or her principal.

Through licensing, the SFC regulates licensed corporations and individuals that carries out the following regulated activities:

Type 1	—	dealing in securities
Type 2	—	dealing in futures contracts
Type 3	—	leveraged foreign exchange trading
Type 4	—	advising on securities
Type 5	—	advising on futures contracts
Type 6	—	advising on corporate finance
Type 7	—	providing automated trading services
Type 8	—	securities margin financing
Type 9	—	asset management
Type 10	—	providing credit rating services

The SFO provides for a single licensing regime where a person needs only one licence to carry on different types of regulated activities. The regulated activities that persons licensed person is permitted to carry out are specified on their licence.

As at the Latest Practicable Date, Excalibur Global HK, our key operating subsidiary, is licensed under the SFO to carry out the following regulated activities:

Excalibur Global HK	Type 1	Dealing in securities
Excalibur Global HK	Type 2	Dealing in futures contracts
Excalibur Global HK	Type 5	Advising on futures contracts

### **Responsible officer**

For each regulated activity conducted by a licensed corporation, the licensed corporation must appoint at least two responsible officers, at least one of whom must be an executive director, to directly supervise the business of the regulated activity. A responsible officer is an individual approved by the SFC to supervise the regulated activity or activities of the licensed corporation to which he or she is accredited.

## REGULATORY AND LICENSING REQUIREMENTS

For each regulated activity, it must have at least one responsible officer available at all times to supervise the business. The same individual may be appointed to be a responsible officer for more than one regulated activity provided that he or she is fit and proper to be so appointed and that there is no conflict in the roles assumed. In addition, every director of the licensed corporation who actively participates in or is responsible for directly supervising its regulated activity or activities must apply to the SFC to become a responsible officer.

### *Qualification and experience required for being a responsible officer*

A person who intends to apply to be a responsible officer must demonstrate that he or she fulfils the competence requirements (as set out in the Guidelines on Competence) and must have sufficient authority. An applicant should possess appropriate ability, skills, knowledge and experience to properly manage and supervise the corporation's business of regulated activities. Accordingly, the applicant has to fulfil certain requirements on academic and industry qualifications, industry experience, management experience and regulatory knowledge as stipulated by the SFC.

### **Licensed representative**

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

### *Qualification and experience required for being a licensed representative*

A person who intends to apply to be a licensed representative must demonstrate he or she satisfies the competence requirement as set out in the Guidelines on Competence. An applicant has to establish that he or she has the requisite basic understanding of the market in which he or she is to work in as well as the laws and regulatory requirements applicable to the industry. In assessing the applicant's competence to be licensed as a licensed representative, the SFC will have regard to the applicant's academic and industry qualifications and regulatory knowledge.

### **Fit and proper requirement**

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

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

- (i) financial status or solvency of the applicant;
- (ii) educational or other qualifications or experience of the applicant having regard to the nature of the functions to be performed;

## REGULATORY AND LICENSING REQUIREMENTS

- (iii) the ability of the applicant to carry out the regulated activity concerned competently, honestly and fairly; and
- (iv) the reputation, character, reliability and financial integrity of the applicant and, where the applicant is a corporation, any officer of the applicant.

In addition, the SFC may take into consideration any matters stipulated in section 129(2) of the SFO in considering whether a person is fit and proper. This includes, among others, any decisions made by any authority or regulatory organisation in Hong Kong or elsewhere and any information in possession of the SFC or the Hong Kong Monetary Authority in respect of the applicant or any person who is or to be employed by the applicant.

The SFC must refuse an application to be licensed if the applicant fails to satisfy the SFC that he or she is a fit and proper person to be licensed. The onus is on the applicant to make out a case that he or she is fit and proper to be licensed for the regulated activity.

### **Compliance and internal control**

A licensed corporation is required to satisfy the SFC that policies and procedure are established and maintained to ensure the corporation's compliance with all applicable legal and regulatory requirements as well as with internal policies and procedures. In particular:

- management should establish and maintain an appropriate and effective compliance function within the corporation which, subject to constraint of size, is independent of all operational and business functions and which report directly to management;
- management should ensure the staff performing the compliance function possess the necessary skills, qualifications and experience to effectively execute their duties;
- staff performing the compliance function should establish, maintain and enforce effective compliance procedures; and
- staff performing the compliance function should promptly report to management upon the occurrence of material non-compliance by the corporation or any staff.

### **Office premises**

Licensed corporations are required to have suitable office premises to conduct its regulated activities. In assessing whether an office premise is appropriate, the SFC will consider, among others:

- the security of the premises and whether there is a proper segregated office area;
- whether essential office equipment and telecommunication systems are situated in an area accessible by authorised personnel;
- whether the firm has taken sufficient action or measures to avoid confusion to its clients due to the co-existence of other firms in the same premises; and

## REGULATORY AND LICENSING REQUIREMENTS

- whether confidential or non-public information and client privacy will be sufficiently safeguarded against unauthorised access or leakage.

### **B. On-going obligations of licensed corporations**

Each licensed person (including licensed corporations as well as responsible officers and licensed representatives) must at all times (i) remain fit and proper; and (ii) comply with all applicable provisions of the SFO and its subsidiary rules and regulations as well as codes and guidelines issued by the SFC from time to time.

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

#### *Maintenance of minimum paid-up share capital and liquid capital*

Depending on the type of regulated activity, licensed corporations must maintain at all times paid-up share capital and liquid capital not less than the specified amounts according to the FRR. If a licensed corporation conducts more than one type of regulated activity, the minimum paid-up share capital and liquid capital that it must maintain shall be the highest amount required amongst those regulated activities.

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

#### *Minimum paid-up share capital*

The following table summarises the minimum paid-up capital that a licensed corporation is required to maintain for type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 5 (advising on futures contracts).

<b>Regulated activity</b>	<b>Minimum paid-up share capital</b>
<b>Type 1</b>	
(a) in the case where the licensed corporation provides securities margin financing	HK\$10,000,000
(b) in any other case	HK\$5,000,000
<b>Type 2</b>	HK\$5,000,000
<b>Type 5</b>	HK\$5,000,000

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### *Minimum liquid capital*

Pursuant to the FRR, liquid capital is the amount by which a licensed corporation's liquid assets exceeds its ranking liabilities where (i) liquid assets are the amount of assets held by the licensed corporation, adjusted for such factors to take into account illiquidity of certain assets as well as credit risks; and (ii) ranking liabilities are the sum of liabilities on the balance sheet of the licensed corporation (including, without limitation, any amounts payable by it in respect of any overdraft, loans or to other person, accrued expenses, taxes, provisions for contingent liabilities), adjusted for such factors to take into account market risks and contingency. The method of calculating liquid assets and ranking liabilities is set out in Divisions 3 and 4 of the FRR respectively.

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

- (a) the amount of:
  - (i) HK\$500,000 in the case of a corporation licensed for type 1 (dealing in securities) or type 2 (dealing in futures contracts) regulated activity that is an approved introducing agent or a futures non-clearing dealer; or
  - (ii) HK\$100,000 in the case of a corporation licensed for type 5 (advising on futures contracts) regulated activity that is subject to the licensing condition that it shall not hold client assets; and
  - (iii) HK\$3,000,000 in the case of a corporation licensed for other type 1 (dealing in securities) type 2 (dealing in futures contracts) or type 5 (advising on futures contracts) regulated activity not within the scope of paragraphs (i) and (ii) above)
- (b) 5% of the aggregate of:
  - (i) the licensed corporation's on-balance sheet liabilities including provisions made for liabilities already incurred or for contingent liabilities but excluding certain amounts stipulated in the definition of "adjusted liabilities" under the SFO;
  - (ii) the aggregate of the initial margin requirements in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients; and
  - (iii) the aggregate of the amounts of margin required to be deposited in respect of outstanding futures contracts and outstanding options contracts held by it on behalf of its clients, to the extent that such contracts are not subject to payment of initial margin requirements.

## **REGULATORY AND LICENSING REQUIREMENTS**

Further, the Stock Exchange imposes similar financial requirements to HKFE Participants and HKCC Participants. In general, a HKFE Participant shall have a minimum capital of HK\$5,000,000 and shall maintain liquid capital of no less than the higher of (i) HK\$3,000,000; or (ii) HK\$20,000,000 (for general clearing participant) or HK\$5,000,000 (for clearing participant), whichever is applicable.

### ***Maintenance of segregated accounts and handling of client money and securities***

A licensed corporation must maintain segregated accounts and take custody and handle client money and securities in accordance with the requirements of the Securities and Futures (Client Money) Rules (Chapter 571I of the Laws of Hong Kong) and the Securities and Futures (Client Securities) Rules (Chapter 571H of the Laws of Hong Kong).

A licensed corporation is required to ensure proper handling of client money and to take reasonable steps to ensure that client securities and securities collateral of the intermediary are not deposited, transferred, lent, pledged, repledged or otherwise dealt with except as provided under these rules. Further, General Principle 8 of the Code of Conduct requires a licensed person to ensure that all client assets are promptly and properly accounted for and are adequately safeguarded.

### ***Issue of contract notes, statements of account and receipts***

A licensed corporation must issue contract notes, statements of accounts and receipts in accordance with the requirements under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules (Chapter 571Q of the Laws of Hong Kong) unless an exemption applies. In particular, all licensed corporations entering into contracts with or on behalf of their clients must provide contract notes to their clients in the course of regulated activities for which they are licensed.

Licensed corporation which provides financial accommodation or enters into margin transactions with or on behalf of their clients must provide a statement of account (including a summary of the details of the account) to clients. Additionally, licensed corporations are required to provide a monthly statement summarising all activity in the account, and, subject to some exceptions, receipts for client assets received.

### ***Record keeping requirements***

Licensed corporations must keep proper and comprehensive records in sufficient details relating to their businesses and client transactions (for proper accounting of their business operations and client assets) in accordance with the requirements under the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong). In addition, the premises for keeping records or documents must be approved by the SFC.

## REGULATORY AND LICENSING REQUIREMENTS

### *Audited accounts and financial returns*

Licensed corporations are required to submit:

- (i) financial statements, auditor's reports and other required documents to the SFC within four months after the end of each financial year in accordance with the requirements under the Securities and Futures (Accounts and Audit) Rules (Chapter 571P of the Laws of Hong Kong); and
- (ii) monthly financial resources returns in prescribed form to the SFC (except that certain licensed corporations which do not hold client assets may subject semi-annual financial resources returns). Such returns shall include, among others, the liquid capital computation, analysis of its profit and loss account analysis of its clientele

### *Maintenance of insurance*

A licensed corporation must maintain insurance against specific risks for specific amounts in accordance with the requirements of the Securities and Futures (Insurance) Rules (Cap. 571AI of the Laws of Hong Kong). In particular, a licensed corporation which is an Futures Exchange Participant and which holds clients' assets as part of its business assets shall take out and maintain insurance in relation to relevant risks (including such risks as risk of loss arising out of loss of client assets that are received or held attributable to fraudulent or dishonest conduct of staff, robbery or theft of clients held in custody, fraudulent use of information or instructions relating to client assets) for an insured amount of not less than HK\$15 million during that period of insurance under a master policy of insurance approved by the SFC.

### *Notification to, and approval of, the SFC for certain changes and events*

Licensed corporations are required under the Securities and Futures (Licensing and Registration) (Information) Rules (Chapter 571S of the Laws of Hong Kong) to notify the SFC of certain changes and events. Such changes and events that are required to be notified include, among others, changes in the basic information of the licensed corporation, its controlling persons and responsible officers, or subsidiaries that carry out a business in a regulated activity, significant changes in business plan, changes in the address or premises where records or documents are kept or the business is carried on and changes in the capital and shareholding structure of the licensed corporation. A range of other notifications (including in relation to corporate structure and breach reporting for example) and approvals may be required depending on the circumstances.

Certain other changes require the prior approval of the SFC. A licensed person must lodge an application, together with prescribed fee, for approval of such matters as, among others, addition or reduction of regulated activity, modification or waiver of licensing conditions, alternation of financial year end or change in record-keeping premises.



## **REGULATORY AND LICENSING REQUIREMENTS**

### ***Payment of annual fees***

Licensed corporations, licensed persons and registered institutions should pay annual fees within one month after each anniversary date of the licences or registrations under section 138(2) of the SFO. As at the Latest Practicable Date, the annual fees for:

- a licensed corporation licensed for types 1, 2 and 5 regulated activity is HK\$4,740 per regulated activity;
- a responsible officer licensed for types 1, 2 and 5 regulated activity is HK\$4,740 per regulated activity; and
- a licensed representative (not approved as a responsible officer) licensed for types 1, 2 and 5 regulated activity is HK\$1,790 per regulated activity.

### ***Continuous professional training***

According to the Guidelines on Continuous Professional Training published by the SFC pursuant to section 399 of the SFO, a licensed corporation is held primarily responsible for designing and implementing a continuous education system best suited to the training needs of the individuals it engages which will enhance their industry knowledge, skills and professionalism. A licensed corporation should at least annually evaluate its training programs and make commensurate adjustments to cater for the training needs of the individuals it engages. Licensed individuals must undertake a minimum of five continuous professional training hours per calendar year for each regulated activity he or she engages in, except for type 7 (providing automated trading services) regulated activity. The SFC also requires training on particular issues, such as anti-money laundering and counter-terrorist financing issues.

### ***Obligation for substantial shareholder***

Under section 131 of the SFO, a person (including a corporation) has to apply for the SFC's approval prior to becoming or continuing to be a substantial shareholder of a licensed corporation.

A person, being aware that he or she becomes a substantial shareholder of a licensed corporation without the SFC's prior approval should, as soon as reasonably practicable and in any event within three Business Days after he or she becomes so aware, apply to the SFC for approval to continue to be a substantial shareholder of the licensed corporation.

### ***Employee dealings***

As mentioned in the Code of Conduct, a licensed or registered person should have a policy which has been communicated to employees (including directors other than non-executive directors) in writing on whether employees are permitted to deal or trade for their own accounts in securities, or futures contracts. The written policy should specify conditions

## REGULATORY AND LICENSING REQUIREMENTS

on which employees may deal on their own accounts and all dealings by employees should be made through the licensed corporation and all such dealings should be separately recorded and identified and monitored by senior management.

### *Anti-money laundering and counter-terrorist financing*

Licensed corporations are required to comply with the applicable anti-money laundering and counter-terrorist financing laws and regulations in Hong Kong as well as the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC which took effect in April 2015 (the “**Anti-Money Laundering Guideline**”).

The Anti-Money Laundering Guideline provides practical guidance to assist licensed corporations and their senior management in designing and implementing their own anti-money laundering and counter-terrorist financing policies, procedures and controls in order to meet the relevant legal and regulatory requirements in Hong Kong. Under the Anti-Money Laundering Guideline, licensed corporations should, among other things:

- (a) assess the risks of any new products and services before they are introduced and ensure that appropriate additional measures and controls are implemented to mitigate and manage the associated money laundering and terrorist financing risks;
- (b) identify the client and verify the client’s identity using reliable, independent source documents, data or information, and review from time to time documents, data and information relating to the client obtained to ensure that the client’s information is up to date and relevant;
- (c) conduct ongoing monitoring of transaction of the clients to ensure that they are consistent with the nature of business, the risk profile and source of funds, as well as identify transactions that are complex, large or unusual, or patterns of transactions that have no apparent economic or lawful purposes, and examining the background and purposes of those transactions and setting out its findings in writing;
- (d) maintain a database of names and particulars of terrorist suspects and designated parties which consolidates the various lists that have been made known to or, alternatively, make arrangements to access to such a database maintained by third party service providers; and
- (e) conduct ongoing monitoring for identification of suspicious transactions and ensure compliance with their legal obligations of reporting funds or property known or suspected to be proceeds of crime or terrorist property to the Joint Financial Intelligence Unit, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs and Excise Department to monitor and investigate suspected money laundering.

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The four main pieces of legislation that apply to licensed corporations in Hong Kong are:

- (i) *Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong) (“AMLO”)*: among other things, the AMLO imposes requirements relating to client due diligence and record-keeping and provides regulatory authorities with the powers to supervise compliance with the requirements under the AMLO. In addition, the regulatory authorities are empowered to (i) ensure that proper safeguards exist to prevent contravention of specified provisions in the AMLO; and (ii) mitigate money laundering and terrorist financing risks;
- (ii) *Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) (“DTROP”)*: among other things, the DTROP contains provisions for the investigation of assets suspected to be derived from drug trafficking activities, the freezing of assets on arrest and the confiscation of the proceeds from drug trafficking activities. It is an offense under the DTROP if a person deals with any property knowing or having reasonable grounds to believe it to represent the proceeds of drug trafficking. The DTROP requires a person to report to an authorised officer if he/she knows or suspects that any property (directly or indirectly) represents the proceeds of drug trafficking or is intended to be used or was used in connection with drug trafficking, and failure to make such disclosure constitutes an offense under the DTROP;
- (iii) *Organised and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) (“OSCO”)*: Among other things, the OSCO empowers officers of the Hong Kong Police Force and the Hong Kong Customs and Excise Department to investigate organised crime and triad activities, and it gives the courts jurisdiction to confiscate the proceeds of organised and serious crimes, to issue restraint orders and charging orders in relation to the property of defendants of specified offences. The OSCO extends the money laundering offense to cover the proceeds of all indictable offences in addition to drug trafficking; and
- (iv) *United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong) (“UNATMO”)*: among other things, the UNATMO provides that it would be a criminal offense to: (i) provide or collect funds (by any means, directly or indirectly) with the intention or knowledge that the funds will be used to commit, in whole or in part, one or more terrorist acts; or (ii) make any funds or financial (or related) services available, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate. The UNATMO also requires a person to report his knowledge or suspicion of terrorist property to an authorised officer, and failure to make such disclosure constitutes an offense under the UNATMO.

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### **Know your client obligations of a licensed corporation**

Under the Code of Conduct, a licensed corporation should take all reasonable steps to establish the true and full identity of each of its clients, and of each client's financial situation, investment experience, and investment objectives. In particular, pursuant to the Code of Conduct, where an account opening procedure other than a face-to-face approach is used, it should take satisfactorily steps to ensure the identity of the client is properly ascertained.

Where the account opening documents are not executed in the presence of an employee of the licensed or registered person, the signing of the client agreement and sighting of related identity documents should be certified by any other licensed or registered person, an affiliate of a licensed or registered person, a Justice of the Peace, or a professional person such as a branch manager of a bank, certified public accountant, lawyer or notary public.

The Code of Conduct provides that alternatively, the identity of a client (other than corporate entities) may be properly verified if the licensed or registered person complies with the following procedural steps:

- (i) the new client sends to the licensed or registered person a signed physical copy of the client agreement together with a copy of his or her identity document (identity card or relevant sections of passport) for verification of his or her signature and identity;
- (ii) the licensed or registered person should obtain and encash a cheque (in an amount not less than HK\$10,000 and bearing the client's name as shown in his or her identity document) issued by the new client and drawn on the client's account with a licensed bank in Hong Kong;
- (iii) the licensed or registered person checks that the signature on the cheque issued by the client and the signature on the client agreement are the same;
- (iv) the client has been informed (in the client agreement or by way of a notice) of this account opening procedure and the conditions imposed, in particular the condition that the new account will not be activated until the cheque has been cleared; and
- (v) proper records are kept by the licensed or registered person to demonstrate that the client identification procedures have been followed satisfactorily.

Alternatively, the relevant account opening documentation should be certified using the certification services recognised by the Electronic Transactions Ordinance (Chapter 553 of the Laws of Hong Kong), such as certification services available from the Hongkong Post, or the identity of the client must be verified pursuant to the alternate prescribed procedural steps set out in the Code of Conduct.

## REGULATORY AND LICENSING REQUIREMENTS

### Manager-in-charge of core functions of a licensed corporation

Senior management is defined by the SFC to include directors, responsible officers and managers-in-charge of core functions of a licensed corporation. Pursuant to a Circular to Licensed Corporations Regarding Measures for Augmenting the Accountability of Senior Management (“**Circular**”) published by the SFC on 16 December 2016, with effective from 18 April 2017, a licensed corporation must appoint manager(s)-in-charge who shall be principally responsible for managing the following core functions of the licensed corporation (the “**Core Function**”):

- overall management oversight
- key business line
- operational control and review
- risk management
- finance and accounting
- information technology
- compliance
- anti-money laundering and counter-terrorist financing

Pursuant to the Circular, each licensed corporation should have at least one fit and proper person who is qualified to act in the capacity so employed or appointed as the manager-in-charge for each of its Core Functions. In a licensed corporation, one individual can be appointed as the manager-in-charge for more than one Core Functions, or several individuals can be appointed as the managers-in-charge for one particular Core Function.

To determine whether an individual is a manager-in-charge of a particular Core Function, a licensed corporation should take into account the following:

- (i) *Whether he or she has apparent or actual authority in relation to the licensed corporations’ business operations*

An individual is a manager-in-charge if he or she:

- (a) occupies a position within the corporation which is of sufficient authority to enable the individual to exert a significant influence on the conduct of that Core Function;
- (b) has authority to make decisions (eg, assume business risks within pre-set parameters or limits) for that Core Function;

## REGULATORY AND LICENSING REQUIREMENTS

- (c) has authority to allocate resources or incur expenditures in connection with the particular department, division or functional unit carrying on that Core Function; and
- (d) has authority to represent the particular department, division or functional unit carrying on that Core Function, e.g., in senior management meetings or in meetings with outside parties.

(ii) *his or her seniority within the licensed corporation*

The SFC generally expects that a manager-in-charge to:

- (a) report directly to the board of the licensed corporation, or to the manager-in-charge who assumes the overall management oversight function of the licensed corporation; and
- (b) be accountable for the performance or achievement of business objectives set by the board of the licensed corporation, or by the manager-in-charge who assumes the overall management oversight function.

Managers-in-charge shall be responsible for, among other things, the following:

- (i) ensuring the maintenance of appropriate standards of conduct and adherence to proper procedures by the licensed corporation;
- (ii) properly managing the risks associated with the business of the licensed corporation, including performing periodic evaluation of its risk management processes;
- (iii) understanding the nature of the business of the licensed corporation, its internal control procedures and its policies on the assumption of risk;
- (iv) understanding the extent of their own authority and responsibilities;
- (v) the adequacy and effectiveness of the licensed corporation's internal control systems; and
- (vi) examining the appropriateness of internal control systems and make any necessary amendments or changes so that they are appropriate for the operations of the licensed corporation's regulated business activities in Hong Kong.

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### APPLICABLE U.S. LAWS AND REGULATIONS

#### U.S. Foreign Account Tax Compliance Act (Chapter 4 of the U.S. Internal Revenue Code) (the “FATCA”)

The U.S. enacted the FATCA in March 2010 in order to combat tax evasion by U.S. persons or entities owned by U.S. persons who hold accounts and other financial assets offshore (the “**U.S. Account Holders**”). In general, the FATCA requires certain foreign financial institutions (the “**FFIs**”), including any non-U.S. entities that (i) accept deposits in the ordinary course of a banking or similar business; (ii) hold financial assets for the account of others as a substantial portion of their business; or (iii) are engaged primarily in the business of investing, reinvesting, or trading in securities, partnership interests or commodities, or any interest in such securities, partnership interests or commodities, to directly report to the Commissioner of Internal Revenue of the U.S. (the “**IRS**”). The FFIs will register with the IRS and agree to report the names, addresses, taxpayers identification numbers, accounts numbers, the account balances or values, and gross receipts and gross withdrawals or payments from any financial accounts held by U.S. Account Holders.

The Hong Kong government and the U.S. government concluded a model II intergovernmental agreement (the “**HKIGA**”) for cooperation to facilitate the implementation of the FATCA. Under the HKIGA, the Hong Kong government shall direct financial institutions within the scope of the HKIGA to, among other things, register on the IRS FATCA registration website, request consent to report information to the IRS from U.S. Account Holders, report annually to the IRS information with respect to U.S. Account Holders who do not give consent and identify U.S. Account Holders pursuant to the due diligence rules under the HKIGA. The Hong Kong and U.S. governments also agree to exchange information in relation to the non-consenting U.S. Account Holders.

The IRS may impose a 30% withholding tax under the FATCA on withholdable payment, which include (i) any payment of interest, dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, and other fixed or determinable annual or periodical gains, profits, and income, if such payment is from sources within the U.S., and (ii) any gross proceeds from the sale or other disposition of any property of a type which can produce interest or dividends from sources within the U.S.

#### *Our Group’s compliance with FATCA*

Since Excalibur Global HK holds or manages clients’ money in the provision of its futures brokerage services, it falls within the definition of FFI under the FATCA. To comply with the FATCA, Excalibur Global HK has registered with the IRS. As part of our know-your-client procedures, we have adopted an FATCA declaration in our account opening forms which require each of our new client to declare whether he/she identified as a taxpayer in the U.S. and whether he/she was born in the U.S. territories. Each of our new client is also asked to give consent to report his/her information to the IRS under the FATCA. With respect to our account opening procedures, we have included steps to identify U.S. Account Holders. Our Group has been monitoring our existing client accounts with a view to identifying any accounts held by U.S. taxpayers. None of our clients fall within the scope of the FATCA since the HKIGA came into effect on 1 July 2014.



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Given that (i) we have registered with the IRS; (ii) we have adopted the required customer due diligence procedures to identify U.S. Account Holders in compliance with the FATCA; and (iii) none of our existing client accounts are held by a U.S. taxpayer, our Directors believe that the impact of implementation of the FATCA in Hong Kong pursuant to the HKIGA on our Group's business operations and clients is not significant.

### APPLICABLE PRC LAWS AND REGULATIONS

#### Offshore futures trading

Pursuant to the requirements of Article 23 of Detailed Rules for the Implementation of the Measures for the Administration of Individual Foreign Exchange (個人外匯管理辦法實施細則) issued by the SAFE on 5 January 2007, "according to the progress of opening up Renminbi capital accounts, restrictions on management of domestic individuals providing loans to overseas parties, borrowing of external debts or providing external guarantees as well as direct participation in dealings of foreign commodity futures and financial derivatives are gradually lifted. Specific administrative measures will be announced separately". According to the "State Administration of Foreign Exchange's Press Conference on Strengthening Management on Disclosure of Individual Foreign Exchange Information" (國家外匯管理局有關負責人就改進個人外匯信息申報管理答記者問) issued by the SAFE on 31 December 2016, "residents who purchase individual foreign exchange should make a complete and true information disclosure according to the requirements. Currently, Renminbi under domestic capital accounts are not yet fully convertible. Individual foreign capital investment could only be made through specified channels such as QDII (qualified domestic institutional investor). Other than specified channels, purchase of individual foreign exchange by residents is only limited to external payments under current accounts, including private travel, overseas study, official and business trips, visiting relatives, overseas hospitalization, trading in goods, purchase of non-investment insurance and consultation service".

As advised by our PRC legal adviser, the current PRC laws and regulations do not expressly prohibit PRC residents from opening accounts with overseas brokers for securities, futures and options trading so as to use their legally obtained offshore funds to purchase the financial products. The current PRC laws and regulations also do not expressly prohibit PRC residents from using their own offshore funds obtained legally to purchase non-PRC financial products abroad (such as in Hong Kong). On this basis, there are no general restrictions restricting PRC nationals from trading in the Hong Kong futures market using offshore funds, i.e. funds outside the PRC, from lawful sources under PRC laws and regulations applicable to our Group.

#### The establishment of Qianhai office

Pursuant to Article 2 of Regulation on the Administration of Registration of Resident Representative Offices of Foreign Enterprises (外國企業常駐代表機構登記管理條例) ("**Administrative Regulation**"), resident representative offices of foreign enterprises refer to organizations established by foreign enterprises in accordance with the provisions of the regulation to conduct non-profit activities in relation to the business of the foreign enterprises within the territory of China. Such representative offices do not have the qualifications of a legal person.

## REGULATORY AND LICENSING REQUIREMENTS

The Administrative Regulation provides that the registered name of a representative office of a foreign company shall be consisted in the following order: the nationality of the foreign enterprise, the Chinese name of the foreign enterprise, the name of city in which the representative organisation is located and the words “代表處 (representative office)”.

Articles 13 and 14 of the Administrative Regulation restricts representative offices from conducting profit-making activities. Representative offices may however conduct the following activities in relation to the business of foreign enterprises: (1) conducting market survey and undertaking marketing and publicity activities relating to the products or services of foreign enterprises; and (2) carrying on liaison activities related to the sales of products, provision of service, domestic procurement and domestic investment of foreign enterprises.

Pursuant to the Interim Procedures on Administration of Securities and Futures Investment Consultancy (證券、期貨投資諮詢管理暫行辦法) the approval of the China Securities Regulatory Commission must be obtained in connection with the provision of any investment consultancy services relating to securities and futures (including, without limitation, the giving of any media interviews and the organising of investment-related seminars in return for a fee).

We plan to: (1) establish a representative office in Qianhai and open bank accounts; (2) establish representative offices in other provinces and cities; and (3) recruit staff in the PRC.

We also intend to conduct the following activities through the Qianhai representative office without charging any fee:

- (i) advertising through the mass media;
- (ii) working with qualified PRC entities in organising and holding a series of free interactive educational events, seminars, workshops and competitions in which participants will gain exposure to Hong Kong or global futures and options products as well as our online trading platform; and
- (iii) participation in seminars held by futures brokerages in the PRC in which our trained staff will promote Hong Kong or global futures products as an investment alternative to securities and for risk management and hedging purposes.

Our Group will register the name of our Qianhai office in accordance with the requirements of the Administrative Regulation. To ensure that the above activities of the Group in Qianhai complies at all material times with relevant PRC laws and regulations:

- (i) we have sought the advice from its PRC legal advisers who has opined that such activities are not restricted or prohibited under PRC law, and the Company will continue to seek their advice (and/or the advice of other qualified PRC lawyers, as appropriate) in respect of legal and compliance matters relating to the Qianhai representative office in the future;

## REGULATORY AND LICENSING REQUIREMENTS

- (ii) we have established clear guidelines to be followed by its staff in respect of marketing and other activities to be carried out in the Qianhai representative office. These guidelines have been reviewed by qualified PRC lawyers from a legal and compliance perspective upon initial establishment of the Qianhai representative office and shall be updated, as necessary, on an ongoing basis;
- (iii) proper reporting lines and controls would be established and adequate training will be given to staff to ensure their compliance with internal rules and procedures; and
- (iv) where appropriate, we will also seek the guidance of consultants engaged by it (namely, the vice chairman (Mr. Ding) and vice general manager (Ms. Feng Lili)) of New Era, both of whom have extensive experience in supervising and managing futures brokerage operations in the PRC, in respect of operational and compliance issues relating to the carrying of marketing activities in the PRC.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## HISTORY AND DEVELOPMENT

### Our corporate history

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 July 2016 in preparation for the Listing. Following the Reorganisation, our Company became an investment holding company holding the entire interest in Excalibur Global HK, our key operating subsidiary, indirectly through two intermediary companies, namely, Excalibur Global BVI and New Century.

Our Group's history can be traced back to 1994 when ESH, an Independent Third Party, acquired Excalibur Global HK from the initial nominee subscriber and commenced the provision of futures and options broking and trading services as an intermediary for its clients in Hong Kong in 1995.

In 2002, Mr. Poon (our Controlling Shareholder, chairman of the Board, executive Director and chief executive officer), Mr. Chan (our Controlling Shareholder and our executive Director) together with an Independent Third Party acquired Excalibur Global HK, and since then our Group has been carrying out its futures brokerage business under the brand “Excalibur 駿溢”. Over the period from 2005 to 2012, the ownership and control of Excalibur Global HK was transferred to Sun Hung Kai Securities Limited (“**SHK Securities**”) from March 2005 to January 2008, and then to Pioneer (China) Limited from January 2008 to August 2009 and thereafter to Fortune Financial (Holdings) Limited (“**Fortune Financial**”) from August 2009 to June 2012. Mr. Poon and Mr. Chan re-acquired the ownership and control of Excalibur Global HK from Fortune Financial at a consideration of HK\$15,880,000 in June 2012. Mr. Poon and Mr. Chan have led the business of Excalibur Global HK since 2002 and remained in a core management position despite the abovementioned changes in ownership between 2005 and 2012. For further information regarding its corporate history, please refer to the paragraph “Our corporate history and development” below in this section of this prospectus.

### Our licensing history

When the SFO became effective in April 2003, Excalibur Global HK was registered with the SFC to carry on type 2 (dealing in futures contracts), type 5 (advising on futures contracts), type 7 (providing automated trading services) and type 9 (asset management) regulated activities. In subsequent years, Excalibur Global HK ceased its type 5 and type 9 regulated activities in 2005 and ceased its type 7 regulated activity in 2007 with a view to focusing on the development of its futures trading business. In 2013, it commenced acting as an introducing agent following its registration to carry on type 1 (dealing in securities) regulated activity (subject to condition) and re-registered to carry on type 5 regulated activity in order to provide advisory services relating to its futures broking business.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Key business milestones

Our Directors believe that through its years of operation, Excalibur Global HK has established itself as a reliable and trusted futures brokerage firm in Hong Kong. The key milestones relating to its business since its establishment:

Year	Key milestones
1993–94	● Excalibur Global HK was established and commenced its business under the name of “Excalibur Futures Limited 加利保期貨有限公司”
2000	● Excalibur Global HK was admitted as a HKFE Participant and a HKCC Participant
2002	● Mr. Poon, Mr. Chan and an Independent Third Party acquired control over Excalibur Global HK and changed its name to “Excalibur Futures Limited 駿溢期貨有限公司”
2003	● Excalibur Global HK was registered with the SFC as a licensed corporation to carry on type 2 (dealing in futures contracts), type 5 (advising on futures contracts), type 7 (providing automated trading services) and type 9 (asset management) regulated activities under the SFO
2005	● Excalibur Global HK was acquired by SHK Securities
2009	● Excalibur Global HK was acquired by Fortune Financial and commenced marketing its services in the PRC
2012	● Mr. Poon and Mr. Chan re-acquired control over Excalibur Global HK and changed its name to “Excalibur Global Financial Group Limited 駿溢環球金融集團有限公司”
2013	● Excalibur Global HK was registered with the SFC to carry on type 1 (dealing in securities) regulated activity (subject to condition) and commenced acting as an introducing agent
2013	● Excalibur Global HK began offering global futures and options products to its clients

### OUR CORPORATE HISTORY AND DEVELOPMENT

#### Our Company

Our Company was incorporated in the Cayman Islands on 13 July 2016 as an exempted company with limited liability. Our Company was established to act as the holding company and the listing vehicle of our Group. Since July 2016, our Company became legally and beneficially owned as to 50% by each of Mr. Poon and Mr. Chan and our Company became the holding company of our Group after completion of the Reorganisation.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Our subsidiaries

As at the Latest Practicable Date, we had three subsidiaries, namely, Excalibur Global BVI, New Century and Excalibur Global HK. The respective corporate history of these subsidiaries since their respective dates of incorporation is as follows:

#### *Excalibur Global BVI*

Excalibur Global BVI was incorporated in BVI with liability limited by shares on 6 July 2009 under the name of “Number One System Limited 壹期系統有限公司”. On 9 September 2011, it changed its name to “Excalibur Global Financial Group Ltd. 駿溢環球金融集團有限公司”.

On 22 June 2012, Mr. Chan acquired one share in Excalibur Global BVI, representing its then entire issued share, from an Independent Third Party at the consideration of US\$1. On the same day, Excalibur Global BVI allotted and issued one share to Mr. Poon at par. Since then, each of Mr. Poon and Mr. Chan owns 50% interest in Excalibur Global BVI. As at the Latest Practicable Date, the said transactions had been properly and legally completed and settled.

Excalibur Global BVI is an investment holding company and acts as an intermediate holding company in our Group.

#### *New Century*

New Century was incorporated in Hong Kong as a limited liability on 29 June 2011 with an issued share capital of HK\$100,000 divided into 100,000 shares. At the time of incorporation, each of Mr. Ding and an Independent Third Party subscribed for 50,000 shares in New Century at par value respectively. On 18 April 2012, Mr. Ding acquired the 50% issued share capital from the Independent Third Party at the consideration of HK\$50,000 and thus became the sole legal and beneficial owner of the entire shareholding of New Century.

On 1 June 2012, New Century allotted and issued 100,000 shares to Mr. Ding at a premium of HK\$157.8 per share. On 19 October 2012, New Century further allotted and issued 800,000 shares at par to Excalibur Global BVI. After the said issue and allotment of shares, New Century was owned as to 80% and 20% by Excalibur Global BVI and Mr. Ding respectively.

On 8 July 2015, New Century issued and allotted 3,999,999 shares and one share at par to Excalibur Global BVI and Mr. Poon, respectively. After the said issue and allotment of shares and immediately before the Reorganisation, New Century was owned as to 95.99998%, 4% and 0.00002% by Excalibur Global BVI, Mr. Ding and Mr. Poon respectively.

As at the Latest Practicable Date, each of the transactions described above in relation to New Century had been legally and properly completed and settled.

New Century is an investment holding company and acts as an intermediate holding company in our Group.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### *Excalibur Global HK*

Excalibur Global HK was incorporated in Hong Kong with limited liability on 18 November 1993 under the name of “Home Great Investment Limited 亨偉投資有限公司”. At the time of incorporation, Excalibur Global HK had an authorised share capital of HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each, with two shares issued to two nominee subscribers.

In 1994, ESH, and an individual, both of which are Independent Third Parties, acquired Excalibur Global HK and changed its name to “Excalibur Futures Limited 加利保期貨有限公司”.

Since its incorporation, Excalibur Global HK has increased its authorised share capital several times. Immediately before the implementation of the Companies Ordinance which extinguished the concept of authorised share capital in March 2014, the authorised share capital of Excalibur Global HK was HK\$250,000,000.

In 2002, Excalibur Global HK changed its name to “Excalibur Futures Limited 駿溢期貨有限公司”.

### *Acquisition of control of Excalibur Global HK by Mr. Poon and Mr. Chan in 2002*

As at 7 February 2002, Excalibur Global HK had an issued share capital of 10,000,000 which was held as to 9,999,999 shares by ESH and one share by a nominee shareholder. In 2002 and 2003, ESH transferred its shareholding in Excalibur Global HK to Smart Day International, a company then controlled by Mr. Poon, Mr. Chan and an Independent Third Party, at the aggregate consideration of HK\$5,000,000 (such consideration was determined with reference to the then asset value of Excalibur Global HK). The acquisition of Excalibur Global HK by Smart Day International was completed in two tranches, details of which are set out below:

Date	Seller	Buyer	Number of shares	Consideration (HK\$)
7 February 2002	ESH and D. Ho Nominees Limited (nominee shareholder)	Smart Day International	6,000,000	3,550,000
23 August 2003	ESH	Smart Day International and Mr. Chan	4,000,000	1,450,000

Immediately after the said acquisition, Excalibur Global HK was legally and beneficially owned as to 9,999,999 shares and one share by Smart Day International and Mr. Chan respectively. Such transfers were legally and properly completed and settled.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### *Transfers since 2005*

In 2005, Smart Day International agreed to transfer its entire shareholding in Excalibur Global HK to SHK Securities. The transfer was effected on 22 March 2005 at the consideration of HK\$16,835,788.92 (such consideration was determined with reference to the then asset value of Excalibur Global HK). Such transfer was legally and properly completed and settled. Despite the change of ownership, Excalibur Global HK continued to operate independently from SHK Securities under the management of Mr. Poon and Mr. Chan. Mr. Poon and Mr. Chan believed that the integration of Excalibur Global HK with SHK Securities would benefit the development of its business as SHK Securities was an established and listed financial firm with a good reputation and recognisable brand in the securities and futures industry.

In the next several years, the ownership and control of Excalibur Global HK was transferred to Pioneer (China) Limited in 2008. In or around 2009, Mr. Poon and Mr. Chan saw an opportunity to develop the business by marketing its services in the PRC. As SHK Securities wanted to focus its business in Hong Kong, Mr. Poon and Mr. Chan commenced negotiations for the transfer of Excalibur Global HK to another listed group, namely, Fortune Financial, which already had relevant resources and connections in the PRC. In view of the above, the ownership and control of Excalibur Global HK was then transferred to Fortune Financial (a subsidiary of China Conservational Power Holdings Limited (later known as China Fortune Financial Group Limited), a company listed on the Stock Exchange (stock code: 290)) in 2009.

The following table sets out the details of the transfers as well as the issue and allotment and forfeiture of shares in Excalibur Global HK over the period from 2005 (after acquisition of control of Excalibur Global HK by Mr. Poon and Mr. Chan in 2002) to 2011:

Date	Transaction nature	Seller	Buyer/Allottee	Number of shares	Consideration/ Issue price (HK\$)
22 March 2005	Transfer	Smart Day International Mr. Chan	SHK Securities Lexshan Nominees Limited	9,999,999 1	16,835,788.92 Nil consideration as nominee
5 August 2005	Allotment	—	SHK Securities	10,000,000	10,000,000
17 January 2008	Transfer	SHK Securities Lexshan Nominees Limited	Pioneer (China) Limited Chan Hoel Len	19,999,999 1	19,782,279.82 Nil consideration as nominee
10 March 2009	Transfer	Pioneer (China) Limited	Fortune Financial	10,200,000	10,200,000
12 August 2009	Transfer	Chan Hoel Len	Pioneer (China) Limited	1	Nil consideration as nominee
24 August 2009	Transfer	Pioneer (China) Limited	Fortune Financial	9,800,000	9,800,000
25 January 2010	Allotment	—	Fortune Financial	17,000,000 53,000,000	17,000,000 Nil-paid
28 February 2010	Allotment	—	Fortune Financial	150,000,000	Nil-paid
7 June 2011	Forfeiture (Note)	—	—	203,000,000	—

*Note:* This is the forfeiture of unpaid and outstanding shares allotted and issued to Fortune Financial in 2010.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### *Re-acquisition of control of Excalibur Global HK by Mr. Poon and Mr. Chan in 2012*

As at 4 June 2012, the entire issued share capital of Excalibur Global HK (HK\$37,000,000 divided into 37,000,000 shares) was legally and beneficially owned by Fortune Financial. In or about 2012, Fortune Financial determined to shift more financial resources and management efforts to its asset management business and expand the reach of its securities brokerage and margin financing business in the PRC. Due to such change in focus, Mr. Poon and Mr. Chan determined to re-acquire the business of Excalibur Global HK and determined to continue growing the business. On 4 June 2012, Mr. Poon, Mr. Chan and Mr. Ding, through New Century, acquired the entire issued share capital of Excalibur Global HK from Fortune Financial at a consideration of HK\$15,880,000 (which was determined with reference to the then net asset value of Excalibur Global HK). Such transfer was legally and properly completed and settled. Following completion of such transfer, Excalibur Global HK changed its name to “Excalibur Global Financial Group Limited 駿溢環球金融集團有限公司”.

Mr. Poon and Mr. Chan have led the business of Excalibur Global HK since 2002 and remained in a core management position of Excalibur Global HK despite the abovementioned changes in ownership between 2005 and 2012. Further, notwithstanding the changes in ownership, Excalibur Global HK’s business in the provision of brokerage services has not changed over the years. Mr. Poon confirmed that he is benefited from operating Excalibur Global HK’s business within a listed group and is committed to the growth and development of the Group’s business.

On 27 May 2016, in order to rationalise the share capital structure, Excalibur Global HK passed a special resolution to reduce its issued share capital from HK\$37,000,000 to HK\$12,000,000 by repayment of paid-up capital to New Century in the amount of HK\$25,000,000. The reduction of capital was completed on 4 July 2016, following which New Century owned 12,000,000 shares in Excalibur Global HK, representing its entire issued share capital, as at the Latest Practicable Date.

Excalibur Global HK is the principal operating subsidiary of the Group and is principally engaged in the provision of futures and options brokerage services to its clients as an intermediary licensed with the SFC. Excalibur Global HK is licensed by the SFC to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 5 (advising on futures contracts) regulated activities under the SFO, where its type 1 regulated activity is limited to acting as an introducing agent.

### **PARTIES ACTING IN CONCERT**

On 27 October 2017, the Controlling Shareholders, namely Mr. Poon and Mr. Chan, entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, without limitation, that:

- (i) they had been parties acting in concert in respect of each of the members of our Group (collectively the “**Relevant Companies**”) since the date they both acquired direct and/or indirect shareholding interest in such Relevant Companies;
- (ii) they will vote their shares at shareholders’ meetings of the Relevant Companies in the same manner in respect of all material issues and decisions relating to the business of the Relevant Companies;

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (iii) they shall continue to cooperate with each other to consolidate control over the Relevant Companies; and
- (iv) each of them shall consult and obtain the prior written consent from the other in respect of any dealing (as defined in the standards of dealings in Rules 5.48 to 5.67 of the GEM Listing Rules) in securities of our Company or any of the Relevant Companies.

In light of the Concert Parties Confirmatory Deed, the concert parties group consisting of Mr. Poon and Mr. Chan is collectively interested in, and is entitled to exercise control over, an aggregate of 72% of our issued share capital after completion of the Capitalisation Issue and the Share Offer (without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme). Further, Mr. Poon and Mr. Chan have confirmed that their agreement to continue to act in concert pursuant to the Concert Parties Confirmatory Deed would be subject to their fiduciary duties in their capacity as executive Directors and their adherence is limited to the extent permissible by applicable laws and regulations.

### EXCLUDED COMPANY

Smart Day Capital was incorporated in Hong Kong with limited liability on 26 August 1993 with an authorised share capital of HK\$10,000 divided into 10,000 shares. Before the Reorganisation, Smart Day Capital was owned as to 99.99% and 0.01% by Excalibur Global HK and Mr. Chan respectively.

Prior to 2001, the entire issued share capital of Smart Day Capital was beneficially owned by ESH (the previous owner of Excalibur Global HK) and was mainly providing financing services (including margin financing) in respect of the securities business of ESH and its then subsidiaries (the “**ESH Group**”).

On 7 February 2002, ESH transferred its shareholding in Smart Day Capital (together with Excalibur Global HK) to Smart Day International, a company then controlled by Mr. Poon, Mr. Chan and an Independent Third Party, following which Smart Day Capital ceased to provide financing services to the ESH Group and became inactive. Later, due to clients’ demand for intra-day financing from Excalibur Global HK and the historical financing business background of Smart Day Capital, Smart Day Capital recommenced its financing services and provided personal interest-free intra-day financing to clients of Excalibur Global HK for the purpose of carrying out intra-day trading of HKFE products. Such financing was provided to certain clients of Excalibur Global HK, mainly to facilitate their futures contracts trading of products which required the maintenance of a high level of margin deposit. These clients have however since then shifted their trading activities to products with lower margin requirements and accordingly their demand for margin loans decreased. As the relevant clients had since shifted their trading activities to products with lower margin requirements, such financing activities ceased in November 2015 so that our Group could focus on the development of businesses which would be conducive in generating more revenue for our Group.

The cessation of intra-day financing from Smart Day Capital to clients of Excalibur Global HK however did not have any material adverse effect on the overall financial results of our Group. In fact, the total revenue of our Group which was generated from the trading of HKFE products increased from HK\$12.1 million in FY2015 to HK\$12.4 million in FY2016.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Smart Day Capital did not generate any direct revenue for our Group during the Track Record Period (as financing services were provided to clients directly on an interest-free basis) and the relevant financing services to our clients were not a material part of our business. However, the relevant intra-day financing facilitated the trading of HKFE products by clients who applied for such financing during the relevant period. During the Track Record Period in which such intra-day financing was provided by Smart Day Capital (i.e. over the months from 2 January 2015 to 30 November 2015), the aggregate amount of commission income generated from clients which had applied for such intra-day financing amounted to approximately HK\$6.1 million.

Following the cessation of intra-day financing services in November 2015, our Group recorded an decrease of approximately 41.4% in commission income from the trading of HKFE products by clients who applied for intra-day financing in the 11 months ended 30 November 2016, as compared to the 11 months ended 30 November 2015. The decrease in commission income represented approximately 5.86% and 6.24% of our total revenues for FY2015 and FY2016 respectively.

Our Directors believe that the decrease in trading of HKFE products by the relevant clients who had applied for intra-day financing services was due to a change in their investment preference (to products with lower margin requirements) rather than due to a lack of intra-day financing. As such, the relevant reduction in commission income would have been inevitable notwithstanding the availability of intra-day financing services.

Following the cessation of intra-day financing services in November 2015, Smart Day Capital became inactive with no further business activities. Therefore our Group disposed of Smart Day Capital to streamline and rationalise our corporate structure for the purpose of Listing.

Although our Group planned to commence the provision of stock options and securities margin financing services to our clients in late 2017 (in line with the business strategy of our Group in the expansion of our product offering to clients taking into account the indications from clients of their demand for such services pursuant to client survey(s) conducted in September 2016), the securities margin financing which will be provided by our Group would be very different from, and not a substitute for, the interest-free intra-day financing provided by Smart Day Capital. The proposed securities margin financing would be aimed at raising the capacity of our clients in the purchase of underlying stock of relevant stock option products on a margin basis and such margin financing would be secured by securities pledged by clients and/or cash deposits and is expected to generate interest income to our Group. This is very different from interest-free and unsecured intra-day loans provided by Smart Day Capital.

For more information regarding our business strategies, please refer to the paragraphs headed “Our business strategies” in the Business section of this prospectus. For more information regarding our Group’s application to waive the licensing conditions on its types 1 license, please refer to the paragraph headed “Business model — 3. Acting as introducing agent” in the “Business” section of this prospectus.

Even if excluding the entire revenues derived from brokerage fee income received from all relevant clients who had received financing from Smart Day Capital over the Track Record Period, our Group would still have positive cash flow generated from operating activities in our ordinary and usual course of business before changes in working capital and taxes paid which satisfy the financial requirements for Listing under Rule 11.12A(1) of the GEM Listing Rules.

### REORGANISATION

The following Reorganisation was carried out in preparation of the Listing:

#### **(I) Disposal of Smart Day Capital**

Before the Reorganisation, Smart Day Capital was a subsidiary of Excalibur Global BVI and provided personal interest-free intra-day financing to the clients of Excalibur Global HK before November 2015.

After ceasing the intra-day financing services provided by Smart Day Capital, in order to simplify our Group's structure, our Group disposed of the entire shareholding interest in Smart Day Capital to two Independent Third Parties at an aggregate consideration of HK\$21, having considered the net liability value of Smart Day Capital, in December 2015. As at the Latest Practicable Date, the said disposal of Smart Day Capital has been properly and legally completed and settled.

#### **(II) Incorporation of our Company**

On 13 July 2016, our Company was incorporated as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each under the laws of the Cayman Islands.

Upon incorporation of our Company, one subscriber Share was allotted and issued at par to Reid Services Limited as the initial subscriber. On 13 July 2016, Reid Services Limited transferred such one Share to Mr. Poon. On the same date, the Company allotted and issued at par 18,999 Shares and 19,000 Shares to Mr. Poon and Mr. Chan, respectively, following which the Company became legally and beneficially owned as to 50% by each of Mr. Poon and Mr. Chan.

#### **(III) Transfer of shares in Excalibur Global BVI to our Company by way of share swap**

On 12 October 2017, Mr. Poon and Mr. Chan, as vendors, and our Company, as the purchaser, entered into a reorganisation agreement, pursuant to which each of Mr. Poon and Mr. Chan transferred one share in Excalibur Global BVI (in aggregate representing its entire issued share capital) to our Company in consideration of (i) the allotment and issue of 4,780,999 Shares, credited as fully paid, to Mr. Poon; and (ii) the allotment and issue of 4,780,999 Shares, credited as fully paid, to Mr. Chan. Such transfers were properly and legally completed and settled on 12 October 2017. Approval from the SFC in respect of the Company becoming a substantial shareholder of Excalibur Global HK has been obtained. As a result, Excalibur Global BVI became a direct wholly-owned subsidiary of our Company.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### **(IV) Transfer of shares in New Century to Excalibur Global BVI by way of share swap**

On 12 October 2017, Mr. Poon and Mr. Ding, as vendors, and Excalibur Global BVI, as the purchaser, and our Company, entered into a reorganisation agreement, pursuant to which Mr. Poon and Mr. Ding transferred one share and 200,000 shares respectively (in aggregate representing 4.00002% of the issued share capital of New Century) to Excalibur Global BVI in consideration of (i) the allotment and issue of two Shares, credited as fully paid, by our Company to Mr. Poon; and (ii) the allotment and issue of 400,000 Shares, credited as fully paid, by our Company to Fortune Millennium. Such transfers were properly and legally completed and settled on 12 October 2017. As a result, New Century became a direct wholly-owned subsidiary of Excalibur Global BVI, which was in turn wholly-owned by our Company.

### **(V) Increase in the share capital of our Company**

On 19 December 2017, the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 by the creation of 9,962,000,000 Shares.

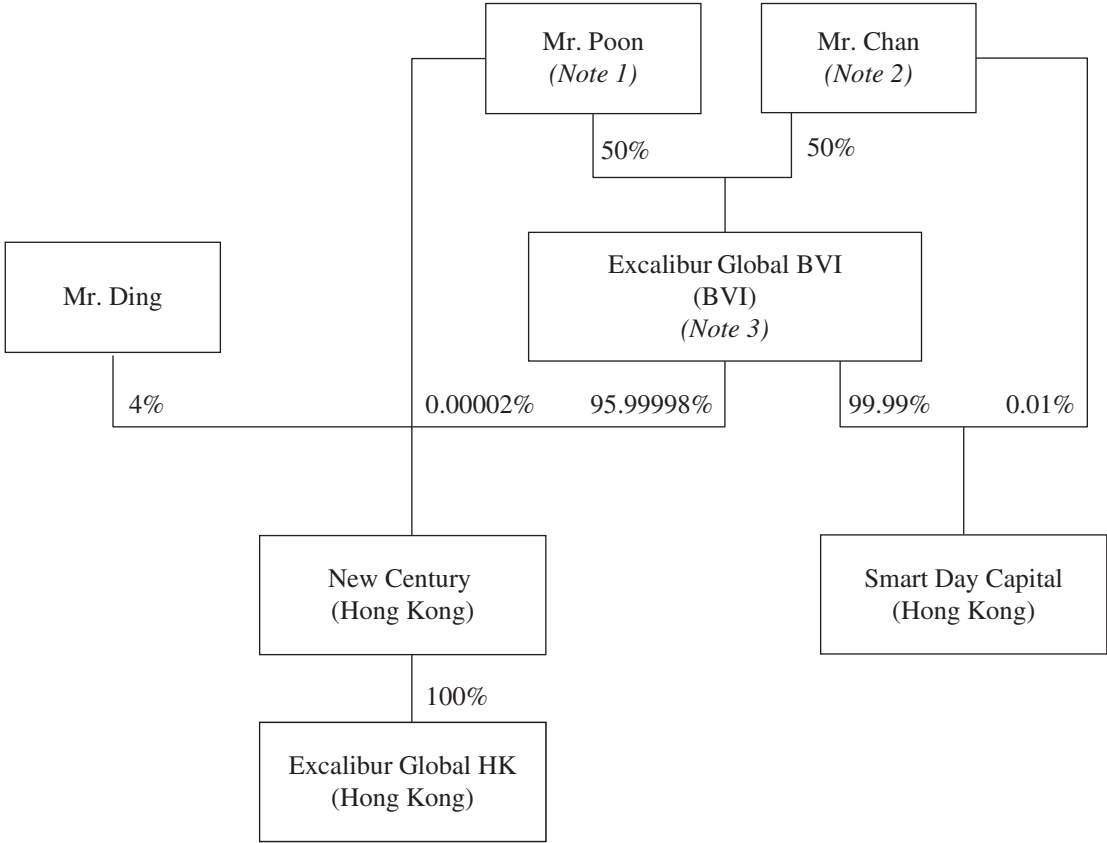
## **CAPITALISATION ISSUE**

Pursuant to the resolutions of our Shareholders passed on 19 December 2017, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of allotment and issue of new Shares pursuant to the Share Offer, our Directors are authorised to allot and issue a total of 590,000,000 Shares credited as fully paid at par to the holder of Shares on the register of members or principal share register of our Company at the close of business on 19 December 2017 in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$5,900,000 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to the Capitalisation Issue shall carry the same rights in all respects with the existing issued Shares.

# HISTORY, REORGANISATION AND CORPORATE STRUCTURE

## CORPORATE AND SHAREHOLDING STRUCTURE OF OUR GROUP

The following chart sets out the shareholding and corporate structure of our Group immediately before our Reorganisation:



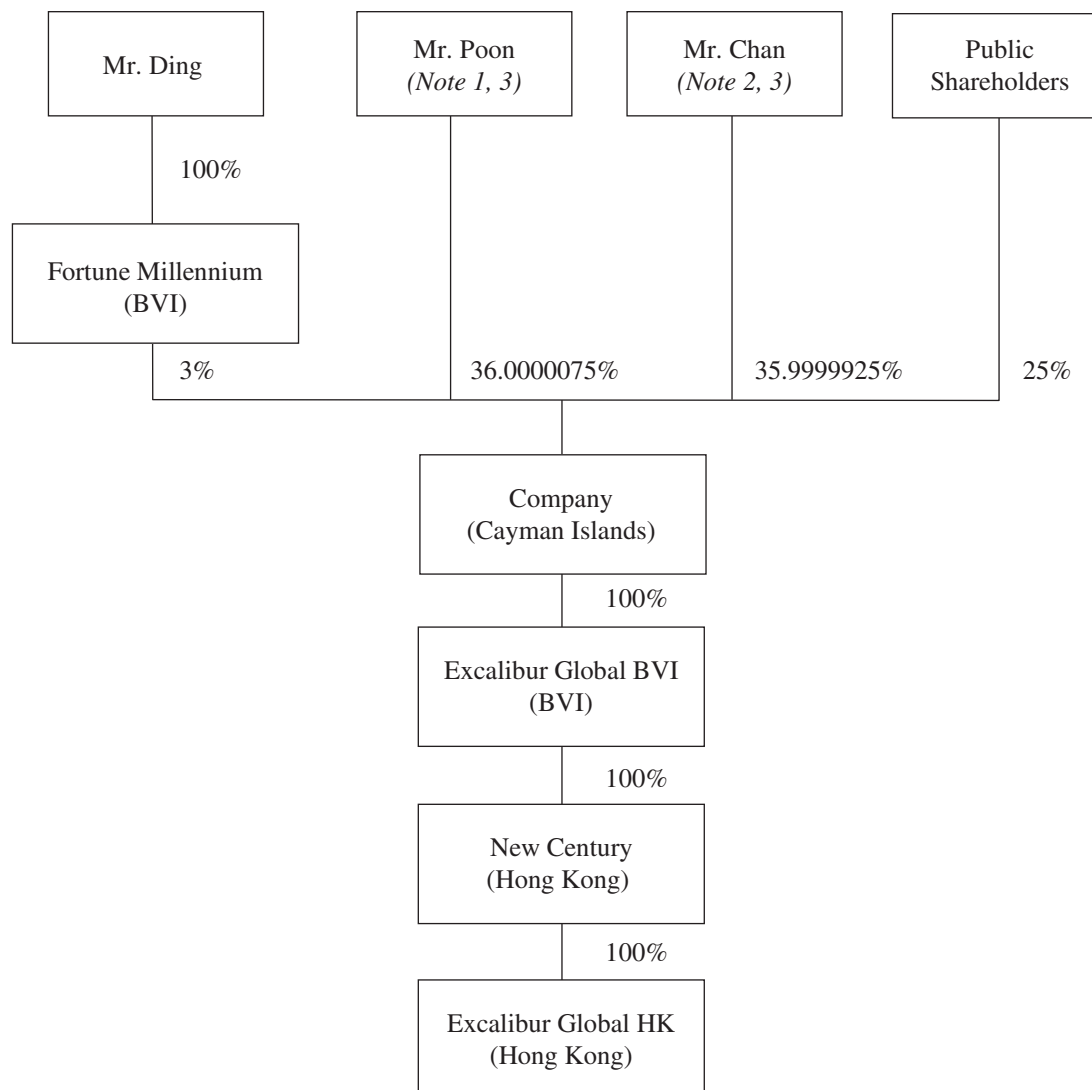
*Notes:*

1. Mr. Poon is our Controlling Shareholder, chairman of the Board, executive Director and chief executive officer.
2. Mr. Chan is our Controlling Shareholder and executive Director.
3. Smart Day International held 99.99% of the issued share capital of Smart Day Capital for and on behalf of Excalibur Global BVI.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth the shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account the exercise of the Offer Size Adjustment Option and any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme):



*Notes:*

1. Mr. Poon is our Controlling Shareholder, chairman of the Board, executive Director and chief executive officer.
2. Mr. Chan is our Controlling Shareholder and executive Director.
3. By virtue of the acting in concert arrangement between Mr. Poon and Mr. Chan, which is confirmed and documented in the Concert Parties Confirmatory Deed, Mr. Poon and Mr. Chan collectively control more than 30% of the issued share capital of our Company. As such, Mr. Poon and Mr. Chan will be a group of Controlling Shareholders following the Listing.

## BUSINESS

### OVERVIEW

We are a provider of futures brokerage services in Hong Kong which provides clients with access to locally and globally traded futures and options products.

Our futures brokerage business is carried out through our Company's wholly-owned subsidiary, Excalibur Global HK, which is a corporation licensed with the SFC to carry out types 2 (dealing in futures contracts) and 5 (advising on futures contracts) regulated activities in Hong Kong. Excalibur Global HK is also licensed with the SFC to carry out type 1 (dealing in securities) regulated activity in Hong Kong, although currently the licence only allows us to introduce our clients to other licensed securities brokerages in Hong Kong.

We mainly provide futures broking services to our clients in respect of futures and options products traded on the Futures Exchange as well as major futures exchanges globally (including the member exchanges of the CME Group and the ICE Group, LME, SGX, EUREX and TCE). These products include index futures and options (including HSI and mini-HSI futures and options traded on the Futures Exchange), forex futures, energy futures, precious metal futures, industrial metal futures, agricultural futures, rubber futures and other futures. Please refer to the paragraph headed "1. Futures brokerage" of this section of the prospectus for further information.

Our clients are mainly retail clients who reside in Mainland China and Hong Kong. We generate revenues primarily from brokerage fees we charge clients for executing and/or arranging the execution of trades and transactions for them, which represent almost all of our operating income.

In FY2016, (i) our revenue amounted to approximately HK\$40.8 million, representing a decrease of approximately HK\$2.6 million (or 6.1% decrease) from approximately HK\$43.4 million in FY2015, and (ii) our profit before tax (taking into account Listing expenses in the amount of HK\$8.8 million which has been charged to and reflected in our combined statements of profit or loss for FY2016) amounted to HK\$15.4 million, representing a decrease of approximately 31.3% from HK\$22.5 million in FY2015. In 1H2017, (i) our revenue amounted to approximately HK\$13.6 million, representing a decrease of approximately HK\$12.2 million (or 47.4% decrease) from approximately HK\$25.8 million in 1H2016, and (ii) our profit before tax (taking into account Listing expenses in the amount of HK\$1.8 million and HK\$4.0 million which has been charged to and reflected in our combined statements of profit or loss for 1H2016 and 1H2017 respectively) amounted to approximately HK\$1.2 million, representing a decrease of approximately 92.3% from approximately HK\$15.6 million in 1H2016.

We intend to leverage our competitive strengths to sustain and grow our business, namely, to provide our clients with fast and reliable access to the futures market through our personalised client services and efficient organisational structure.

## **OUR COMPETITIVE STRENGTHS**

Our Directors are of the view that we have the following competitive strengths:

### **Efficient, integrated and stable online trading platform and IT system**

Through our online trading platform, our clients can (i) engage in the trading of futures and options products traded over the HKFE as well as across major global futures exchanges on a real-time basis when markets are open (generally 24 hours a day for most global futures exchanges); (ii) access real time market information (including price, volume and financial news relating to various global futures and options products traded by us); and (iii) access their account details and history, charting systems, news feeds, historical market data as well as certain other tools, including technical analysis services.

Our clients can gain access to our online trading platform through the installation of free PC software (for computers) and/or mobile applications (for mobile devices) which we make available to them. With the aim to provide fast and reliable access to the futures markets and to mitigate the risk of any delay or problem which our clients may face when attempting to access market data and/or execute trades, we:

- (i) have established two separate data centres (one located in Guangzhou, the PRC, and the other in Hong Kong) with ample bandwidth as well as IT infrastructures (comprising hubs, servers, terminals and connecting ports) capable of processing a large volume of data and orders. Our hardware and network capabilities are designed to ensure that our clients can access market information and execute orders speedily and without disruption;
- (ii) ensure that the software we use on our online trading platform is provided by independent software vendor(s) who have been certified by the HKEx Group and/or other recognised global exchanges following stringent testing in terms of functionality and requirements;
- (iii) provide feedback to Sharp Point, our independent software vendor, regarding computer screen interface as well as other features available on our online trading platform (including those applications used to retrieve futures market and trade information, execute trade orders and provide enhanced internal control measures) in order to ensure that our online trading platform meets the needs of our clients; and
- (iv) generally engage more than one overseas broker in the global markets in which we operate so that, in the event any overseas broker fails to execute client orders, the relevant orders can be executed through other overseas broker(s) capable of doing so.

Our Directors believe that the efficiency and stability of our online trading platform is particularly important to our operations because, as confirmed by the Industry Report, potential clients consider fast market access and connectivity is essential to their trading of futures and options products.

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Further, to safeguard the integrity of our IT system and to avoid potential disruptions to our operations:

- (i) all trading records are backed up on a daily basis;
- (ii) we have implemented disaster recovery procedures and policies and perform regular testing to ensure that these procedures and policies are effective; and
- (iii) we backup our IT system on-site on a regular basis and maintain a contingent IT system which is routinely tested and maintained.

Our Directors believe that the above measures will continue to ensure that our clients are properly serviced through an efficient, integrated and stable online trading platform. Since the commencement of our operations, our online trading platform has not encountered any disruption which had materially or adversely affected our clients' trading activities. Our Directors believe that our ability to maintain an efficient and reliable online trading platform is a key factor in developing and maintaining the loyalty of our clients and in attracting new clients.

### **Personalised client services**

We provide personalised services to our clients. Our clients are served by experienced AEs with in-depth knowledge of a wide range of futures and options products and who can advise clients and keep them informed of market developments on a timely basis.

Our AEs provide personalised services to our clients through (i) understanding their investment objectives, expectations on returns and risk appetite; and (ii) ongoing assessment of their investment portfolio and provision of appropriate advice accordingly. In particular, our AEs regularly advise our clients on their trading and margin positions based on their experience and professional judgment and with consideration to our established risk management policy. For example, our AEs may (i) alert clients on the potential impact of certain market events or information (such as expected announcement of potential change in interest rate by the US government) on open positions of futures contracts held by them and advise them on strategies to deal with anticipated market volatility; and/or (ii) advise clients on when their trading positions may be liquidated if maintenance margins are not met under such market conditions. Our Directors believe that our clients appreciate such personalised advice and services, which is an important factor our clients consider when determining to continue to carry out trading through us.

Furthermore, we have dedicated staff who provide trading support to clients as well as to handle general enquiries relating to matters such as the opening and administration of client accounts, settlement and statements, money deposits and withdrawals as well as other enquiries. In addition, we have established a clients service hotline which is operated 24 hours a day on weekdays to provide additional trading, settlement, accounting and technical support to our clients.

### **Experienced management and AE team**

We are led by a team of experienced professionals with substantial expertise in formulating corporate strategies, monitoring compliance and financial performance, controlling credit risks (particularly those risks arising from market fluctuations) and managing daily operations. Under their leadership, we aim to provide reliable, efficient and professional services to our clients.

In particular, Mr. Poon and Ms. Lee Mei Chun, our executive Directors, and Mr. Yu Kin Sing, one of our responsible officers, each has over 23, 34 and 15 years of experience in the futures and options broking services industry respectively. With their experience and knowledge in the industry, our Directors believe that we will be able to effectively respond to and cope readily with rapidly evolving and fluctuating market conditions. Please refer to the section headed “Directors, senior management and staff” of this prospectus for further details of the experience and qualifications of our Group’s management team.

Further, we have an experienced team of AEs to facilitate the carrying out of our regulated activities. In particular, each of our responsible officers has been accredited to supervise the regulated activities of Excalibur Global HK since 2007 and two-thirds of our AEs have been accredited to Excalibur Global HK as principal for more than five years. As at 31 December 2016, 75% of our AEs had over 6 years of experience in the futures and options broking services industry. Our Directors believe that our team of experienced AEs is valuable human capital for the operations of our Group.

### **Our reputation as a reliable and quality futures brokerage**

We recognise that our market reputation and clients’ confidence in our services are key to our success, which will enable us to attract new clients from the market and solicit client referrals from existing clients. In this regard, we place great emphasis in providing our clients with quality and comprehensive futures brokerage services through Excalibur Global HK. Our Directors believe that, through our over 20 years of business operations, we have established ourselves as a reputable and trusted futures brokerage in Hong Kong.

Our Directors believe that our financial performance and reputation in the industry is attributable to (i) the reasonable brokerage fees we charge for our services; (ii) the provision of quality and personalised client services; (iii) our reliable online trading platform and robust IT infrastructure which is capable of satisfying client needs; (iv) our ability to act as a “one-stop” provider of comprehensive broking services; and (v) our ability to offer access to key global markets through established relationships with overseas brokers, intermediaries, banks and working partners. Our Directors believe that these attributes also help us to attract business and grow our client base for our futures and options broking services.

### **Streamlined and efficient organisational structure**

Our Group has a streamlined organisational structure whereby all decisions in relation to the execution and settlement of clients’ orders are directly supervised by our responsible officers. We believe that this facilitates efficient execution and settlement of clients’ orders. Our Directors consider that our competitive edge lies in our flat and efficient organisational structure suitable for

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the scale of our operations. Our Directors also believe that this streamlined structure promotes a closer working relationship among our staff and enhances our Group's ability to maintain a harmonious relationship with our AEs.

Furthermore, our licensed representatives comprise three Staff AEs and five Self-Employed AEs. The Self-Employed AEs are engaged on a full commission basis only without any entitlement to contractual fixed remuneration; this allows us to control our staff costs which is important during periods of lower market activity as Self-Employed AEs are not entitled to any fixed monthly salary or statutory employee benefits. This gives us a further competitive edge as we are able to keep the scale of our operations relatively lean which helps control our costs especially during a market downturn. We also believe that this has enabled us to operate efficiently and effectively.

### OUR BUSINESS STRATEGIES

#### *Opportunities for growth*

Our Directors believe that our business is currently presented with the following opportunities which are important to our growth:

- (i) while the nominal GDP, level of disposal income and number of HNWI's has continued to grow in the PRC, the further integration of economies and bilateral opening of capital markets between Hong Kong and the PRC, coupled with turbulence in the securities markets and financial market reforms in the PRC in recent years has increased the attractiveness of Hong Kong for PRC investors seeking to access global financial markets for broader investment opportunities and wealth diversification;
- (ii) as part of its reform of the futures industry in the PRC, the PRC government is continuing to promote the development of trading in commodities futures, options and indexes. In May 2014, the State Council of the PRC published "Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Market" 《國務院關於進一步促進資本市場健康發展的若干意見》 which aims to expand the variety of stock index futures, options and products traded and promote the use of futures products for risk management and hedging purposes;
- (iii) following the announcement of the intended establishment of a metals-trading platform in Qianhai by the Stock Exchange (which will serve the real economy by realising the physical delivery of commodities and seek cooperation with PRC's other commodities markets), it is expected that there will be an increase in the number of futures market participants through the admission of clearing members for various commodities;
- (iv) increasing volatility in global capital markets will continue to drive active trading in futures contracts across global futures exchanges;
- (v) the contract value and notional value of futures trading in Hong Kong and the PRC has been growing steadily year on year which reflects the fact that investors are becoming more experienced and knowledgeable in derivatives trading and becoming more sophisticated in

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making investments (for such purposes as hedging, speculation and asset allocation), and the growing population of HNWI's in Hong Kong and the PRC will likely further stimulate the futures trading market; and

- (vi) an increasing preference for young investors to exert more direct control over their investments by executing trades through electronic means (such as via the Internet or mobile devices). According to the Industry Report, 84% of all derivative traders were online traders in 2014.

### *Our business strategies to capitalise on opportunities*

We intend to capitalise on the opportunities described above as part of our business objectives to strengthen our position as a futures brokerage in Hong Kong through the following means:

#### *Strengthen our reputation and promote our services to retail investors in the PRC*

As the PRC government continues to encourage growth in the PRC futures industry as well as the development of Qianhai as an important spot commodities trading venue against the backdrop of an increasing number of sophisticated investors seeking to diversify their investments and trading strategies, we intend to capitalise on such opportunities by increasing our presence and visibility both in the PRC as a “go to” provider of reliable futures brokerage services through, without limitation, the following means:

- (i) *establishment of an office in Qianhai*: establish a Qianhai office where we will recruit and train a team of experienced and qualified marketing staff who will assist in the launch of our marketing campaign in the PRC (which will initially target certain geographical regions in the Pearl River Delta Area). Such marketing campaign will include:
  - (a) advertising through the mass media;
  - (b) organising and holding a series of free interactive educational events, seminars, workshops and competitions in which participants will gain exposure to futures and options products as well as our online trading platform; and
  - (c) participation in seminars held by futures brokerages in the PRC in which our trained staff will promote futures and options products as an investment alternative to securities and for risk management and hedging purposes.

To this end, we have engaged two qualified and experienced consultants (namely Mr. Ding (the vice chairman) and Ms. Feng Lili (the vice general manager) of New Era, a registered futures brokerage in the PRC) who will assist in the launch of our marketing campaign in the PRC. Through such means, we aim to promote the trading of global futures products (as an investment option for retail investors in the PRC) as well as build up the confidence of potential clients in respect to carrying out futures and options trading through us.



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- (ii) *listing on GEM*: our Directors believe that a Listing on the Stock Exchange will not only increase the profile of the Group but will also increase the financial and operational transparency of our business and provide investors and potential clients with a clearer understanding of our business operations, financial performance and corporate governance, enabling them to appraise our strategies, functional exposure, risk and returns as well as management philosophy. Further, our Directors believe that a Listing on the Stock Exchange will increase our accountability towards the public and therefore increase the confidence of potential clients in our Group.

### *Continuous improvement to our IT infrastructure*

We intend to continue to improve our online futures trading system and IT infrastructure so that our clients would be able to continue to enjoy a seamless, efficient and secure trading platform. This will entail:

- (i) improving the robustness of the firewall and security of our trading system in light of more sophisticated virus attacks and Trojan softwares;
- (ii) increasing the capacity of trades which may be effected through our servers at any given time to cope with demands over peak trading times through the acquisition of additional storage and servers;
- (iii) continuing to enhance features on the trading interface of our online trading platform through the provision of feedback to, and upgrades carried out by, our software vendors;
- (iv) upgrading our front end and back end software systems and IT infrastructure to support additional products such as stock options; and
- (v) enhancing the speed of trades conducted through the HKFE through the installation of additional servers and connection points.

Our Directors believe that the continuous improvement of our IT infrastructure is important to support our business growth. As noted in the Industry Report, a well-built IT infrastructure and comprehensive trading suite and the ability to outpace competitors in terms of speed and capacity through optimising IT resources is the key to success in the futures brokerage industry.

### *Enhance our services and expand our product offerings*

We aim to sustain our existing client base by maintaining our clients' confidence in our services and achieving growth through our marketing efforts and client referrals. To achieve these objectives in the face of keen market competition, our Directors believe it is important to continue to innovate and improve the services which we provide to our clients. In this regard, we intend to:

- (i) establish a research department comprising qualified and experienced research analysts and to begin to publish research reports, regular updates and commentaries in relation to the futures market with a view to provide more personalised and value-added services to our clients as well as to provide further support to our marketing and deal teams

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(please refer to the paragraph headed “Business model — 2. Advising on futures contracts — Proposed issuance of research materials” of this section of the prospectus for further information); and

- (ii) continue to expand our product offerings to our clients; in particular, we intend to commence the broking of stock options in the near future and to allow our clients to acquire these products on a margin basis. It is expected that the broadening of investment options could potentially assist us to attract new clients interested in trading new products and lead to an increase in our revenue streams (through the generation of brokerage fees from trading of a wider selection of products as well as through the receipt of interest income from the provision of margin financing).

In order to meet demand from clients who wish to purchase stock options on a margin basis, we would be required to retain a higher level of liquid capital for the advancement of margin loans. It is expected that part of the net proceeds of the Share Offer will be used to facilitate our provision of margin loans to our clients which will be secured by pledged securities and/or cash deposits. We will regularly review the quality of securities pledged by our clients, update margin ratios and communicate margin requirements to our clients accordingly as well as adopt prudent risk management policy to manage related risks.

### BUSINESS MODEL

#### Overview

We are a provider of futures brokerage services in Hong Kong who provide our clients with access to local and global futures and options products. Over the Track Record Period, our revenues were generated through (i) the brokerage fees we charge our clients for executing and/or arranging the execution of trades of futures and options products (representing almost all of our total revenues for FY2015, FY2016 and 1H2017 respectively); and (ii) fees for introducing clients to a licensed securities brokerage in Hong Kong (amounting to HK\$461, HK\$357 and nil for FY2015, FY2016 and 1H2017 respectively). We also provide futures advisory services to our clients without charge.

#### 1. Futures brokerage

Futures brokerage is our primary business through which we derived almost all of our operating income during the Track Record Period. Our revenue generated from futures and options broking represents mainly brokerage fees received from executing and/or arranging the execution of trades which is recognised on a trade date basis when the relevant transactions are executed.

For FY2015, FY2016 and 1H2017, brokerage fee income from our futures brokerage business amounted to approximately HK\$43.4 million, HK\$40.8 million and HK\$13.6 million, respectively, representing almost all of our total revenues for the respective periods.

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### *Our product range*

We provide futures and options broking services to our clients for the trading of a wide variety of futures and options products traded on the HKFE as well as major futures exchanges globally (including member exchanges of the CME Group and the ICE Group, LME, SGX, EUREX and TCE). These products include index futures and options (including HSI and mini-HSI futures and options traded on the HKFE), forex futures, energy futures, precious metal futures, industrial metal futures, agricultural futures, rubber futures and other futures. Please refer to the paragraph headed “Futures products offered” below for further information.

### *Methods in which trade orders can be placed*

Our clients have to maintain a futures and options trading account with us before placing any trade orders.

All trade orders are placed and executed through our online trading platform. Over the Track Record Period, almost all trade orders were placed by our clients through our online trading platform using the PC software and/or mobile applications which we make available to them, although our clients may also opt to (i) place orders with our AEs through designated telephone lines (which are recorded); or (ii) access our online trading platform on-site at the office premise of Excalibur Global HK.

### *Our staff structure*

All clients and their trading accounts are managed by our AEs, all of whom are accredited to Excalibur Global HK as licensed representatives. We engage two types of AEs, namely:

- (i) *Staff AEs*: Staff AEs are full-time employees of Excalibur Global HK and are paid a fixed monthly salary. Our Staff AEs handle all trading accounts opened with Excalibur Global HK including: (a) those accounts designated as Non-referred Accounts (being accounts which were opened as a result of marketing efforts of our Group, via client referrals or other means without direct involvement of Self-Employed AEs); and (b) those accounts designated as Referred Accounts (being accounts sourced and referred to us by Self-Employed AE exclusively); and
- (ii) *Self-Employed AEs*: Self-Employed AEs are not employees of Excalibur Global HK and are remunerated on a commission basis (based on the amount of trades executed through Referred Accounts, being accounts sourced and referred to Excalibur Global HK exclusively by them). These Self-Employed AEs serve clients under their own portfolio of Referred Accounts only.

Our Directors consider that the engagement of Self-Employed AEs, which is in line with industry practice, enables us to broaden our business network and reach out to more potential clients while minimising fixed staff costs. For details on how our Staff AEs and Self-Employed AEs are remunerated, please refer to the paragraph headed “Remuneration of staff” in this section of the prospectus.

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For FY2015, FY2016 and 1H2017 respectively, we paid: (i) approximately HK\$0.6 million, HK\$0.7 million and HK\$0.3 million in fixed salaries and employment benefits (including contribution to mandatory provident funds) to our Staff AEs; and (ii) approximately HK\$0.8 million, HK\$0.6 million and HK\$0.2 million in commissions to our Self-Employed AEs. Total expenses paid to AEs for our futures brokerage business accounted for approximately 4.7%, 5.1% and 4.5% of our other operating and administrative expenses for FY2015, FY2016 and 1H2017 respectively.

### *Brokerage fees we charge for executing and/or arranging the execution of trades*

Over the Track Record Period, the amount of brokerage fees which Excalibur Global HK charged its clients for executing and/or arranging the execution of trades ranged from HK\$3.9 to HK\$389.3 per futures contract depending on the type of product. Such pricing is determined based on our pricing policy as described in the paragraph headed “Our pricing policy” below in this section of the prospectus.

The table below sets out the breakdown of revenues generated by our Group from brokerage fees received for futures and options broking activities (by market):

	<b>FY2015</b>	<b>FY2016</b>	<b>1H2016</b>	<b>1H2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong market <i>(Note 1)</i>	12,131	12,393	6,904	3,165
Overseas markets <i>(Note 2)</i>	31,293	28,383	18,945	10,443
	43,424	40,776	25,849	13,608

*Note 1:* In respect of HKFE products traded on HKFE.

*Note 2:* In respect of non-HKFE products traded in various global futures exchanges.

### *Our clients*

As at 31 December 2015, 31 December 2016 and 30 June 2017 respectively, Excalibur Global HK had 1,760, 2,271 and 2,392 clients, of which approximately 44.7%, 32.8% and 25.0% of them were “active clients”. However, we are of the view that the number of active clients is not necessarily the only important indicator of our business performance.

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Our active clients over the Track Record Period and up to the Latest Practicable Date mainly comprised retail investors, as illustrated in the table below:

	As at 31 December		As at 30 June	As at the Latest Practicable Date
	2015	2016	2017	
Retail investors	784	745	599	618
Corporate investors	3	Nil	Nil	Nil

The following table shows the movement of active investors during the relevant periods:

	FY2015	FY2016	1H2017	Since 1 July 2017 to Latest Practicable Date
Beginning balance of the year/period	655	787	745	599
Number of addition of active clients				
— number of new join clients	328	265	50	12
— number of inactive clients became active	84	77	45	114
Number of active client became inactive	<u>(280)</u>	<u>(384)</u>	<u>(241)</u>	<u>(107)</u>
<b>Closing balance of the year/period</b>	<u>787</u>	<u>745</u>	<u>599</u>	<u>618</u>

Some of our clients held more than one sub-account under their client accounts, the following table sets out a breakdown of our active and inactive accounts:

	As at 31 December		As at 30 June	As at the Latest Practicable Date
	2015	2016	2017	
<b>All accounts types:</b>				
— Active	952 (47.4%)	905 (35.5%)	745 (27.7%)	766 (27.9%)
— Inactive	<u>1,055 (52.6%)</u>	<u>1,643 (64.5%)</u>	<u>1,949 (72.3%)</u>	<u>1,980 (72.1%)</u>
Total number of accounts	<u>2,007 (100%)</u>	<u>2,548 (100%)</u>	<u>2,694 (100%)</u>	<u>2,746 (100%)</u>

Our active clients decreased from 784 as at 31 December 2015 to 745 as at 31 December 2016 mainly due to (i) a decrease in the number of PRC clients resulting from decision of the Group to internalise its marketing efforts in the PRC which led to the termination of Joinbest, a PRC investment consultancy firm, which provided our Group with marketing-related services in the PRC since June 2015; which was partially offset by (ii) an increase in the number of PRC

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clients over the period, reflecting the trend of Chinese investors looking to access global financial markets through Hong Kong as a result of turbulence in the PRC securities market and associated financial market reforms relating to the PRC securities market in recent year.

The number of active client further decreased to 599 as at 30 June 2017. Such decrease in the number of active clients was not due to the closing of trading accounts by our clients, but resulted from (i) a decrease in the number of new active clients following the cessation of trading marketing activities in the PRC through the engagement of Joinbest, as described above; and (ii) the shift in focus of education programmes or courses organised by Mr. Kwok during the period, from the provision of on-site training on basic futures and options investments, to providing existing students with more advanced training aimed at broadening their product knowledge (in products such as index options) and diversifying their investment strategies.

Our clients are mainly based in Hong Kong and the PRC. The following table sets out the breakdown of revenue generated by our clients over the Track Record Period by nationality of clients (based on the nationality declared during the client opening process):

Nationality of clients	Number of clients		Brokerage fees generated in FY2015		Number of clients		Brokerage fees generated in FY2016	
	As at				As at			
	31 December				31 December			
	2015	% of total	HK\$'000	% of total	2016	% of total	HK\$'000	% of total
Hong Kong	737	41.9%	18,275	42.1%	796	35.1%	18,154	44.5%
Mainland Chinese	960	54.5%	24,002	55.3%	1,413	62.2%	19,656	48.2%
Other	63	3.6%	1,147	2.6%	62	2.7%	2,966	7.3%
<b>Total</b>	<b>1,760</b>	<b>100%</b>	<b>43,424</b>	<b>100%</b>	<b>2,271</b>	<b>100%</b>	<b>40,776</b>	<b>100%</b>

Nationality of clients	Number of clients		Brokerage fees generated in 1H2016		Number of clients		Brokerage fees generated in 1H2017	
	As at				As at			
	30 June				30 June			
	2016	% of total	HK\$'000	% of total	2017	% of total	HK\$'000	% of total
Hong Kong	760	36.2%	13,182	51.0%	805	33.6%	4,764	35.0%
Mainland Chinese	1,275	60.8%	10,787	41.7%	1,525	63.8%	7,928	58.3%
Other	63	3.0%	1,880	7.3%	62	2.6%	916	6.7%
<b>Total</b>	<b>2,098</b>	<b>100%</b>	<b>25,849</b>	<b>100%</b>	<b>2,392</b>	<b>100%</b>	<b>13,608</b>	<b>100%</b>

While a majority of our total revenue in FY2015 and 1H2017 and a substantial portion of our total revenue in FY2016 and 1H2017 were derived from brokerage fees generated from the provision of futures and options broking services to Mainland Chinese clients, almost all of our Mainland Chinese clients have access to offshore funds and only limited amounts of the funds transferred to Excalibur Global HK for trading purposes (approximately HK\$3.6 million during the Track Record Period) were remitted directly from financial institutions in the PRC. This means that the policies of the SAFE on outbound personal remittance of funds, including any restrictions on outbound remittance funds for investment purposes (as reiterated by the SAFE in December 2016), are unlikely to have a material impact on our business and results of operations. On the assumption that the amount of brokerage fees that may be derived from the trading activities of

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relevant PRC clients using offshore and onshore PRC funds would be the same, the total amount of brokerage fees which would have been derived from funds remitted directly from PRC financial institutions over the Track Record Period would amount to approximately HK\$1.1 million (or approximately 2.0% of our total revenues).

While the principal responsibility for ensuring that fund transfers from financial institutions in the PRC have obtained the approval of, or are not otherwise subject to restrictions imposed by, SAFE rests with relevant financial institutions in the PRC, the Company has also established internal guidelines to mitigate the risk of non-compliance with PRC laws and regulations by our clients or other persons in respect of such fund transfers. In particular, in addition to AML monitoring procedures applicable to all fund transfers, whenever funds are transferred to us through PRC financial institutions, we make enquiries to the client to ascertain the use of relevant funds and the reason for not using financial institutions in Hong Kong. Further, we will obtain the relevant transfer note and fund transfer application made to the relevant PRC financial institution and such information will be reviewed by the compliance officer of Excalibur Global HK for any anomalies. Where a funds transfer is found to be in breach of any PRC law or regulation, the relevant transfer will be immediately suspended and the matter will be reported to the managing director of Excalibur Global HK for further investigation. We may consult with external legal advisers, as and when appropriate. The Company does not facilitate any cross-border funds transfers of clients in any way.

Our Directors believe that the slight decrease in the amount and proportion of brokerage fees generated from Mainland Chinese clients (from HK\$24,002,000 (55.4% of total revenue) in FY2015 to HK\$19,656,000 (48.2% of total revenue) in FY2016) was mainly due to the cessation of the engagement of Joinbest, a PRC investment consultancy, in providing marketing-related services in the PRC to the Group since June 2015, as the Group shifted to internalising its marketing activities in the PRC as part of its long term strategy. Please refer to the section “Marketing” in this section of the prospectus for further details. The Group expects that the amount and proportion of income generated from Mainland Chinese clients will increase over time as it increases its marketing efforts in the PRC.

The revenues generated by Excalibur Global HK over the Track Record Period included existing clients (who had traded in previous years) as well as new clients. For FY2015, FY2016 and 1H2017 respectively:

- (i) 47.6%, 54.1% and 76.8% of active clients of Excalibur Global HK were existing clients who had traded in the two immediately preceding financial years, and these clients contributed 54.6%, 76.4% and 91.3% of our total revenues for the respective periods. These were the core clients of Excalibur Global HK; and
- (ii) 52.4%, 45.9% and 23.2% of active clients of Excalibur Global HK were new clients who had not maintained an account with Excalibur Global HK prior to the respective periods, and these clients contributed 45.4%, 23.6% and 8.7% of our total revenues for the respective periods.

As at 30 June 2017, the total equity balance held in client accounts of all of our clients was, in aggregate, approximately HK\$44.2 million (or on average of approximately HK\$55,000 per client).



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### *Client accounts*

In FY2015, FY2016 and 1H2017, clients of Excalibur Global HK maintained a total of 2,007, 2,548 and 2,694 client accounts (including sub-accounts) respectively, for carrying out futures and options trading of which approximately 47.4%, 35.5% and 27.7% were “active accounts” (i.e. those accounts which had recorded at least one trade in the previous twelve months).

The number of client accounts opened in the respective periods was greater than the number of clients because some of our clients held more than one sub-account under their client account(s) for various reasons; for example:

- (i) some clients hold more than one sub-account to facilitate trades of different products in different currencies in a more efficient way; and
- (ii) two of our Self-Employed AEs (namely Mr. Kwok and Mr. Kwok (Jnr.)) collectively opened 104 sub-accounts under their names for the purpose of providing on-site training for their respective students. For information relating to such on-site training, please refer to the paragraph “Business model — 2. Advising on futures contracts” below in this section of the prospectus.

As at 30 June 2017, 89 of our active clients had sub-accounts under their client account and together they held 317 sub-accounts while the remaining 510 active clients did not have any sub-account.

As at the Latest Practicable Date, there were two types of accounts which could be opened at Excalibur Global HK, namely:

- (i) *Non-referred Accounts*: these are accounts which were opened as a result of marketing efforts of our Group, via client referrals or other means without any direct involvement or referral of Self-Employed AEs and which are managed by Staff AEs; and
- (ii) *Referred Accounts*: these are accounts which were sourced and referred to Excalibur Global HK by Self-Employed AEs and which are managed exclusively by the Self-Employed AEs with the support of Staff AEs.

During the Track Record Period, Excalibur Global HK had one proprietary account for trading as principal in FY2016 and not as an intermediary for its clients. Excalibur Global HK determined to cease all proprietary house trading in order to focus on the operations of the Group and the proprietary account was closed.

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The following table sets out a breakdown of our client accounts (including sub-accounts) by type:

	As at 31 December		As at 30 June		As at the Latest Practicable Date
	2015	2016	2017		
<b>Non-referred Accounts:</b>					
— Active ( <i>Note 1</i> )	498 (42.0%)	480 (29.2%)	351 (19.5%)	388 (21.2%)	
— Inactive ( <i>Note 2</i> )	689 (58.0%)	1,166 (70.8%)	1,448 (80.5%)	1,439 (78.8%)	
Total number of Non-referred Accounts	1,187 (100%)	1,646 (100%)	1,799 (100%)	1,827 (100%)	
<b>Referred Accounts:</b>					
— Active ( <i>Note 1</i> )	453 (55.3%)	425 (47.1%)	394 (44.0%)	373 (40.6%)	
— Inactive ( <i>Note 2</i> )	366 (44.7%)	477 (52.9%)	501 (56.0%)	546 (59.4%)	
Total number of Referred Accounts	819 (100%)	902 (100%)	895 (100%)	919 (100%)	
<b>Proprietary accounts:</b>					
— Active ( <i>Note 1</i> )	1 (100%)	0 (N/A)	0 (N/A)	0 (N/A)	
— Inactive ( <i>Note 2</i> )	0 (0%)	0 (N/A)	0 (N/A)	0 (N/A)	
Total number of proprietary accounts ( <i>Note 3</i> )	1 (100%)	0 (N/A)	0 (N/A)	0 (N/A)	
<b>All accounts types:</b>					
— Active ( <i>Note 1</i> )	952 (47.4%)	905 (35.5%)	745 (27.7%)	766 (27.9%)	
— Inactive ( <i>Note 2</i> )	1,055 (52.6%)	1,643 (64.5%)	1,949 (72.3%)	1,980 (72.1%)	
Total number of accounts	2,007 (100%)	2,548 (100%)	2,694 (100%)	2,746 (100%)	

*Note 1:* “Active accounts” means accounts which had recorded at least one trade (i.e. recorded open and/or close position(s) of futures contract transaction(s)) in the previous twelve months.

*Note 2:* “Inactive accounts” means accounts which had positive balance but recorded no trading activity in the previous twelve months.

*Note 3:* Excalibur Global HK has determined to cease all proprietary house trading in FY2016 in order to focus in the operations of the Group.

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As investors have different reasons for trading futures and options (including, without limitation, for diversification of investments, risk management and hedging purposes or for speculative trading) and may pursue different investment strategies under different market conditions (which may influence their decisions whether to trade futures and options vis-à-vis other investment products), our clients may switch from being active clients to being inactive clients, or vice versa, from year to year. A net number of accounts becoming inactive in a particular period does not necessarily mean that our revenue in that period will decline, as there may be a material increase in volume of trading of futures contracts by the remaining active clients during the same period.

### *Withdrawal from trading*

It would be normal for our clients to withdraw money deposited in their client accounts from time to time, but this is not necessarily reflective of the fact that they have an intention to withdraw from trading altogether, or at all, or that they intend to cease to be a client. Clients may withdraw money from their trading accounts for a number of reasons (from collection of trading gains, to the support of other investments or personal spending).

The following table set out details of our clients who ceased their trading activities through Excalibur Global HK over the Track Record Period and up to 30 September 2017. For the purpose of providing a meaningful analysis, we have provided details of (i) clients who closed their trading account(s); (ii) clients who have reduced the amount of cash deposited in their trading account(s) with Excalibur Global HK to a level insufficient to support any trading transaction (i.e. less than the minimum amount required to satisfy initial margin for trading any futures product) (“**minimum trading threshold**”), during the relevant period and who did not carry on any trading activity in the immediately preceding twelve months; and (iii) the amounts of client money deposited and withdrawn by the relevant clients over the relevant periods:

	FY2015	FY2016	1H2017	3 months ended 30 September 2017
<b>Number of clients who have</b>				
<b>closed their trading account</b>	2,549 <sup>(Note)</sup>	46	30	—
— amount deposited (HK\$'000)	1,467	410	110	—
— amount withdrawn (HK\$'000)	1,645	934	326	—
<b>Number of clients who do not</b>				
<b>have minimum trading</b>				
<b>threshold in trading account</b>				
	72	46	24	73
— amount deposited (HK\$'000)	7,247	5,733	8,070	1,552
— amount withdrawn (HK\$'000)	7,106	4,325	9,052	741

*Note:* In FY2015, the Group closed or suspended those inactive client accounts which did not carry any trading for more than one year so as to release the data server space and speed up back office system, therefore, 2,439 clients closed 2,549 clients accounts held by them as requested by the Group in that year.

*Our competition and pricing philosophy*

According to the Industry Report, competition in the futures brokerage industry is highly vigorous and some futures brokerage firms have adopted aggressive marketing strategies to seize opportunities to enlarge their client base and expand their market share; in particular, price competition among futures brokerage firms has resulted in a decrease in rate of commission paid in the overall market in recent years.

Such price competition however did not have a material adverse impact on our Group over the Track Record Period as we do not, and do not intend to, participate in price competition nor do we offer plans (such as monthly-fixed-charge plans or commission ceiling plans) to remain competitive. Rather, we target investors and traders (in particular high frequency traders) who value the quality, efficiency and reliability of our services rather than pricing. For discussions relating to our competitive landscape and our philosophy in staying competitive in the market, please refer to the paragraph headed “Our competition” in this section.

*Trading process over our online trading platform*

We maintain our online trading platform which provides our clients with access to locally and globally traded futures and options products. We have obtained relevant trading rights as a HKFE Participant and HKCC Participant which allows us to facilitate trades of products traded on the HKFE through server connections we have set up between our online trading platform with the HKEx Group. We have also established relationships with overseas brokers with trading right(s) in overseas futures exchanges which enable our clients to place trade orders in respect of futures and options listed on overseas futures exchanges through them via server connections they have set up with our online trading platform.

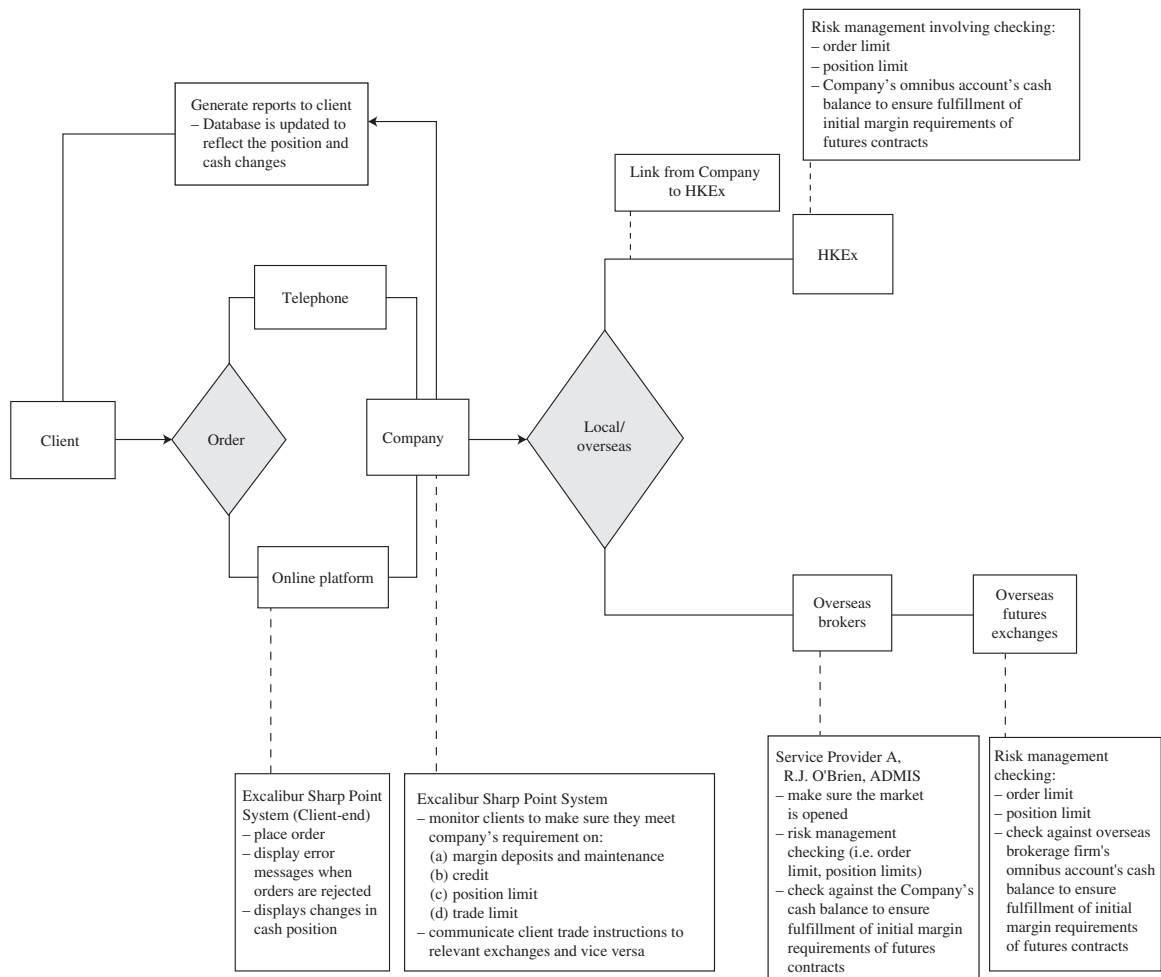
In general, the trading process over our online trading platform involves the following key steps:

- (i) clients accessing our online trading platform through software or application downloaded onto their computer or mobile device through which they may access real time market information (including pricing, volume and financial news) relating to various local and global futures and options products;
- (ii) clients would normally place orders directly through our online trading platform although in certain instances, they may also place orders through our AEs by phone (our AEs then place the relevant orders through our online trading platform);
- (iii) our online trading platform will communicate:
  - (a) orders placed in respect of products traded on the Futures Exchange to the HKATS of the HKEx Group (through the servers connected to the HKATS or through servers located in one of our data centers) which will then process the relevant trades through DCASS; and

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- (b) orders placed in respect of products traded on other overseas futures exchanges to relevant overseas brokers (namely Service Provider A, R.J. O'Brien and ADMIS) with whom we have relationships with, and the relevant trades would be processed over terminals and servers these overseas brokers have established with the relevant overseas futures exchanges.
- (iv) the online trading platform has a designated gateway which allows AEs and staff of Excalibur Global HK to: (a) monitor open trading positions and trades placed by our clients; (b) review margin positions in respect of outstanding futures contracts; and (c) perform credit control procedures. Where necessary, the relevant AEs may communicate margin requirements to our clients and when appropriate intervene and liquidate certain open positions, for example, where maintenance margins have not been met.

The following table illustrates the futures and options dealing and trading process of Excalibur Global HK:



## **2. Advising on futures contracts**

### *Provision of advice to our clients*

We advise our clients in respect of futures products and options which our clients trade through us. In particular, we advise them from time to time in terms of:

- (i) the suitability of certain futures and options products for them based on their risk appetite and investment objectives;
- (ii) whether, which, the time at which and/or the terms and/or conditions on which futures and options products should be traded;
- (iii) the margin maintenance requirements relating to futures and options products in which our clients have open positions; and
- (iv) fluctuations, volatility and/or events in the market and how to manage their open positions and associated risks in light of such fluctuations, volatility and/or events in the market.

Depending on clients' requests and needs, our AEs may also provide market information (such as news summaries, general market trends, product picks and/or historical performance of particular products) to our clients, in order to maintain good business relationships.

We do not charge our clients any separate or additional fee for the advisory services we provide to them.

### *Provision of advice by Self-Employed AEs as part of their on-site training*

We facilitate some of our Self-Employed AEs in their provision of on-site training relating to trading of futures and option products which they provide to students, as part of the educational programmes or courses organised by them and/or third party institutions independently of our Group. During these training sessions, students will use the sub-accounts of the Self-Employed AEs or their own accounts opened with Excalibur Global HK to practice trading futures and option products under the direction of the Self-Employed AEs. Such directions may relate to, without limitation, whether, which, the time at which and/or the terms and/or conditions on which futures and option products should be traded.

The relevant Self-Employed AEs will supervise and monitor trades carried out by their students using their sub-account(s) closely as all client monies contained in the relevant accounts are owned by the relevant Self-Employed AEs.

While we do not charge our Self-Employed AEs or their students for using our online trading platform during on-site training, nor do we market to, or otherwise encourage the students to open trading account(s) with us, we believe that we benefit from such arrangements with our Self-Employed AEs as it: (i) assists us in terms of brand awareness; and (ii) allows students, who can

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also be potential clients, to gain first-hand experience in using our online trading platform and services. Quite often, students of our Self-Employed AEs who are interested in investing in trading futures and options have opened clients accounts with us.

### *Proposed issuance of research materials*

Currently we do not publish any research materials for our clients. As part of our strategy to provide more personalised and quality services to our clients, we intend to allocate a portion of the proceeds of the Share Offer to establish a research department comprising professionally qualified and experienced research analysts who will be principally be responsible for:

- (i) observing market trends (including demand for different investment products) and generating research reports and regular updates (covering, among other areas, macroeconomic analysis, investment strategies, commodities futures and financial futures products across global markets and various industry sectors) which we will provide to our clients. We believe that our clients will benefit from such research as it will enhance their financial knowledge as well as assist them in identifying and evaluating investment and hedging opportunities; and
- (ii) providing support to our sales and marketing team as well as our dealing team.

Our Directors believe this will complement and add value to the existing futures advisory services we provide to our clients.

### **3. Acting as introducing agent**

Our brokerage business is limited to the broking of futures contracts and we currently do not provide any brokerage services relating to the trading of securities (including shares, stocks, debentures, bonds, interests in collective investment schemes and structured products).

We have entered into an introducing agent agreement with Head & Shoulders Securities Limited (“**H&S Limited**”), a securities brokerage firm licensed with the SFC to carry out type 1 (dealing in securities) regulated activity and an Independent Third Party, pursuant to which:

- (i) Excalibur Global HK has agreed to refer all its clients to H&S Limited who have, on an unprompted and unsolicited basis, indicated that they are interested in trading securities products listed on the Stock Exchange;
- (ii) Excalibur Global HK shall be entitled to a referral fee equivalent to 0.125% of the gross income of transactions executed by clients introduced by us to H&S Limited (such referral fee is subject to amendment by H&S Limited from time to time); and
- (iii) H&S Limited can terminate the agreement at any time and is not required to provide any reasons for doing so.



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As part of our business strategy is to expand our product offerings, we intend to apply to the SFC to remove the existing conditions attached to our securities dealing licence (which limits our type 1 (dealing in securities) regulated activity to acting as an introducing agent) this will enable us to carry out: (a) trading of stock options; and (b) margin financing incidental to the trading of stock options (i.e. provide margin loans to our clients who would like to purchase stock options on the secondary market, giving them funding flexibility and assisting them to leverage their investments).

Due to restrictive covenants in the introducing agent agreement with H&S Limited which requires us to refer all our clients interested in dealing in securities (including stock options) to them, we have entered a termination deed with H&S Limited pursuant to which H&S Limited has agreed, conditional upon the granting of approval by the SFC to lift the licensing conditions on our type 1 licence, to terminate the introducing agent agreement immediately following the obtaining of such approval and to irrevocably and unconditionally discharge and release Excalibur Global HK absolutely from all claims and liabilities whatsoever, directly and indirectly, relating to the introducing agent agreement (other than in respect of accrued rights and obligations as at the date of termination).

Revenues generated from introducing clients to H&S Limited amounted to HK\$461, HK\$357 and nil for FY2015, FY2016 and 1H2017 respectively. We do not consider our introducing agent business to be a core part of our business.

### **FUTURES PRODUCTS OFFERED**

#### **Description of futures contracts**

Futures and options are traded in the form of futures contracts, which are standardised contracts traded on futures exchanges (which have developed liquidity for the trading of futures contracts through the participation of investors and traders).

A futures contract represents a commitment to buy or sell a pre-defined amount of an underlying asset at a pre-determined price on a specified future date. The underlying assets of futures contracts can be stocks, indices, currencies, interest rates and commodities. In general, the futures contracts made available by Excalibur Global HK on its online trading platform are settled in cash rather than physically settled (i.e. involving the delivery of underlying assets).

Futures contracts are leveraged investments. When our clients buy or sell futures contracts, they have to make a deposit with us as initial margin. At the end of each trading day, the client's position is marked-to-market (i.e. valued according to the contract's market value). If the contract price moves against the view of the client and as a result, the initial margin deposit falls below the maintenance margin level, we will issue a margin call, which means that the client will have to deposit additional money to restore the initial margin level, failing which we may exercise discretion to liquidate the client's position at market in order to limit our risk exposure. Under the terms of our agreements with our clients, the clients will have to bear any loss arising as a result of such liquidation caused by their failure to meet maintenance margin requirements.

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The required initial margin and maintenance margin levels described above for each type of futures contracts product are set by the relevant futures exchange on which the relevant futures contracts are bought or sold. In general, we and our overseas brokers will only: (i) execute trades on behalf a client when the initial margin requirements prescribed by the relevant exchanges have been met; and (ii) hold futures and/or option products on behalf of a client when margin deposits of the client are maintained above the maintenance margin requirements prescribed by the relevant futures exchanges. However, where a client fails to make sufficient margin deposits above the maintenance margin requirements, our AEs may, based on their experience and professional judgment as well as in compliance with our established risk management policy, exercise their discretion in considering whether to liquidate open trading positions of clients on a case-to-case basis. Our clients appreciate such case-to-case approach to liquidation assessment (as opposed to mandatory liquidation of open trading positions which is the practice for many futures brokerage firms) as they may not have been aware of their failure to meet maintenance margin requirements in time (for example, during overnight periods when overseas global exchanges are still open but the client may not be awake), and may not wish to liquidate their positions as a result of interim fluctuations in the market which are otherwise manageable.

Typically, we do not require clients to maintain a higher margin level than that prescribed by the relevant futures exchanges, however if required we can request clients to maintain a higher margin level based solely on our discretion and taking into account the creditworthiness of the client, the prevailing market conditions and the risks involved in particular types of products.

The following table sets forth the range of margin requirement for key categories of futures products that are traded by our clients (foreign currencies are converted into HK\$ for reference only):

	<b>Initial margin</b>	<b>Maintenance margin</b>
	<i>HK\$</i>	<i>HK\$</i>
Index futures and options		
— HKFE traded futures and options ( <i>Note</i> )	6,850–67,150	5,480–53,750
<i>HSI Futures</i>	<i>67,150</i>	<i>53,750</i>
<i>Mini HSI Futures</i>	<i>13,430</i>	<i>10,750</i>
— Global exchange traded futures and options	8,543–189,375	7,767–172,159
<i>XinHua China A50 Index</i>	<i>8,543</i>	<i>7,767</i>
<i>Mini Sized Dow Jones</i>	<i>27,767</i>	<i>25,243</i>
<i>Nikkei 225 Index Futures</i>	<i>39,123</i>	<i>35,566</i>
Forex futures	12,388–27,961	11,262–27,961
<i>Euro FX Futures</i>	<i>28,621</i>	<i>26,019</i>
<i>Dollar Index Futures</i>	<i>17,087</i>	<i>15,534</i>
<i>Japanese Yen Futures</i>	<i>23,068</i>	<i>20,971</i>
Energy futures	14,097–35,884	12,815–32,621
<i>Light Crude Oil Futures</i>	<i>29,049</i>	<i>26,408</i>

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	Initial margin <i>HK\$</i>	Maintenance margin <i>HK\$</i>
Precious metal futures	17,942–78,386	16,310–71,260
<i>Gold Future</i>	<i>38,447</i>	<i>34,952</i>
<i>Primary Nickel Futures</i>	<i>78,386</i>	<i>71,260</i>
Industrial metal futures	19,651–109,516	17,864–99,560
<i>High Grade Copper Futures</i>	<i>19,651</i>	<i>17,864</i>
<i>Copper “A” Grade Futures</i>	<i>109,516</i>	<i>99,560</i>
Agricultural futures	5,126–20,505	4,660–18,641
<i>Soybean Future</i>	<i>17,088</i>	<i>15,534</i>
<i>Wheat Future</i>	<i>11,961</i>	<i>10,874</i>
Rubber futures	3,201	2,910
<i>Tocom Rubber Futures</i>	<i>3,201</i>	<i>2,910</i>
Other futures	4,699–11,534	4,271–10,485

*Note:* Range excludes HSI Options, Hang Seng H-Shares Index Options and Mini-HSI Options where the margin requirements represent a percentage of the notional value of the futures contract

### **Futures contracts executed or facilitated by Excalibur Global HK**

While we are a HKFE Participant and HKCC Participant capable of executing Hong Kong futures and options products, we also work closely with overseas brokers to gain access to futures and options products for our clients. Please refer to the paragraph headed “Our major service providers” in this section of the prospectus for further information regarding our relationship with these overseas brokers.

We generally do not limit the range of futures and options products which we offer to our clients and we strive to gain access to an extensive range of products which are traded on major overseas futures exchanges, although we will restrict trading by our clients of products which we consider to be generally unsuitable for them.

The following is a non-exhaustive description of futures and options products we have made available to our clients as at the Latest Practicable Date:

- (i) ***index futures and options:*** cash-settled futures contracts on a stock or financial index whereby buyers and sellers agree to pay or receive payment in the future for cash value of an underlying stock index; these allow investors to speculate on the entire or substantial part of a stock market’s performance as well as to hedge the downside price risk of the broader market.

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In addition to HSI index futures and options and mini-HSI index futures and options which are commonly traded by futures brokerages in Hong Kong, we provide access to a wide variety of index futures and options traded in foreign currencies in overseas futures exchanges including:

CME Group	Nikkei 225 Index Futures, E-Mini Nasdaq 100 Index Futures and E-Mini S&P Index Futures (CME), Dow Jones Index \$10 and Mini Sized Dow Jones (CBOT)
EUREX	Dax Futures and DJ Euro Stoxx 50 Futures
LIFFE	FTSE 100 Futures
TCE	Tocom Rubber Futures
SGX	Singapore Nikkei Futures, XinHua China A50 Index Futures and MSCI Taiwan Index (SGX)

- (ii) **forex futures:** futures contracts to exchange a currency for another at a specified date in the future at a price (exchange rate) that is fixed on the purchase date

We provide access to foreign exchange futures products denominated in US dollars which are traded on the CME and NYBOT (including the AUD Currency Futures, BPND Currency Futures, CAD Currency Futures, Euro FX Futures, Japanese Yen Futures, NZD Currency Futures, Swiss Franc Futures and Dollar Index Futures)

- (iii) **energy futures:** futures contracts for the delivery of crude oil, unleaded gas, heating oil or natural gas at a specified future date based on a price fixed on the purchase date

We provide access to energy futures denominated in US dollars which are traded on IPE and the NYMEX (including Brent Crude Futures, Light Crude Oil Futures, Natural Gas Futures, Mini Crude Oil Futures and Heating Oil Futures)

- (iv) **precious metal futures:** futures contracts for the delivery of selected precious metals such as gold, silver, nickel, platinum and palladium at a specified future date based on a price fixed on the purchase date

We provide access to precious metal futures denominated in US dollars which are traded on COMEX, NYMEX and LME (including Gold Futures, Comex miNY Gold Futures, Silver Futures, Primary Nickel Futures, Palladium Futures and Platinum Futures)

- (v) **industrial metal futures:** futures contracts for the delivery of selected industrial metals such as copper, aluminium, lead, tin and zinc at a specified future date based on a price fixed on the purchase date

We provide access to industrial metal futures denominated in US dollars traded on COMEX and LME (including Copper “A” Grade Futures, High Grade Copper Futures, Aluminium HG Futures, Lead Futures, Tin Futures and Zinc Futures)

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- (vi) **agricultural futures:** futures contracts for the delivery of agricultural futures such as sugar, cotton, corn, soybean, wheat, cocoa, oat, coffee and rough rice at a specified future date based on a price fixed on the purchase date

We provide access to agriculture futures denominated in US dollars traded on CBOT and NYBOT (including World Sugar No. 11 Futures, Cotton Futures, Corn Futures, Soybean Oil Futures, Soybean Meal Futures, Soybean Futures, Wheat Futures, Cocoa Futures, O.J. Frozen Futures, Oat Futures, Coffee Futures and Rough Rice Futures)

- (vii) **other futures:** we also provide our clients with certain other futures and options products such as U.S. Notes Futures and certain other options traded in markets such as the Stock Exchange, CBOT and CME

The following table states the range of notional value of contracts traded by clients of Excalibur Global HK over the Track Record Period:

	FY2015 <i>(in HK\$)</i>	FY2016 <i>(in HK\$)</i>	1H2017 <i>(in HK\$)</i>
<b>Range of notional value of each contract undertaken during the Track Record Period</b>			
— Lowest	54,577	50,480	70,421
— Highest	4,134,000	1,711,613	1,692,600

The notional value of futures and options is each relevant contract's underlying value which is calculated by multiplying the market price of the underlying asset for each contract times the contract's multiplier.

The following table sets forth a breakdown of our revenue in respect of the types of products traded by our clients during the Track Record Period:

**Product category**

	FY2015		FY2016		1H2016		1H2017	
	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>	<i>HK\$'000</i>	<i>% of total</i>
					<small>(unaudited)</small>			
Energy futures	17,704	40.8	21,014	51.5	15,083	58.3	6,836	50.2
Index futures and options	15,701	36.2	13,735	33.7	7,692	29.7	3,743	27.5
Forex futures	3,430	7.9	2,056	5.0	842	3.2	1,156	8.5
Precious metal futures	3,327	7.7	2,781	6.8	1,607	6.2	1,160	8.5
Agricultural futures	1,583	3.6	606	1.5	331	1.3	325	2.4
Industrial metal futures	1,555	3.5	533	1.3	279	1.1	378	2.7
Rubber futures	82	0.2	45	0.1	10	0.1	5	0.1
Other futures	42	0.1	6	0.1	5	0.1	5	0.1
	<u>43,424</u>	<u>100.0</u>	<u>40,776</u>	<u>100.0</u>	<u>25,849</u>	<u>100.0</u>	<u>13,608</u>	<u>100.0</u>
Total								

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The following table sets out a breakdown of the top 10 most traded futures and options products traded by our clients (by number of total contracts traded) over the Track Record Period:

FY2015				FY2016			
Futures product	Approximate number of futures contracts	Brokerage fees		Futures product	Approximate number of futures contracts	Brokerage fees	
	<i>(in thousand)</i>	<i>Approximately HK\$'000</i>	<i>(% of total)</i>		<i>(in thousand)</i>	<i>Approximately HK\$'000</i>	<i>(% of total)</i>
1 HSI Index Futures (HKSE index futures)	207	7,907	18.2%	Mini HSI futures (HKSE index futures)	211	2,942	7.2%
2 Mini HSI Index Futures (HKSE index futures)	176	1,705	3.9%	HSI futures (HKSE index futures)	151	8,169	20.0%
3 Light Crude Oil Futures (NYMEX energy futures)	113	17,444	40.2%	Light Crude Oil Futures (NYMEX energy futures)	133	20,779	51.0%
4 XinHua China A50 Index Futures (SGX index futures)	36	2,184	5.0%	HSI Options (HKSE index options)	29	262	0.6%
5 Gold Futures (COMEX precious metal futures)	34	2,586	6.0%	HSI Options (HKSE index options)	23	541	1.3%
6 HSI Index Options (HKSE index options)	33	1,128	2.6%	Gold Futures (COMEX precious metal futures)	22	2,281	5.6%
7 Mini-HSI H-Shares Index Futures (HKSE index futures)	31	347	0.8%	Mini Hang Seng H-Shares Index Futures (HKSE index futures)	20	166	0.4%
8 Mini HSI-Index Options (HKSE index options)	25	332	0.8%	Hang Seng H shares Index Futures (HKSE index futures)	14	265	0.6%
9 HSI H-Shares Index Futures (HKSE index futures)	22	658	1.5%	Japanese Yen Futures (CME forex futures)	13	944	2.3%
10 Euro FX Futures (CME forex futures)	17	1,781	4.1%	Mini Sized Dow Jones (CBOT index futures)	10	679	1.7%
1H2016				1H2017			
Futures product	Approximate number of futures contracts	Brokerage fees		Futures product	Approximate number of futures contracts	Brokerage fees	
	<i>(in thousand)</i>	<i>Approximately HK\$'000</i>	<i>(% of total)</i>		<i>(in thousand)</i>	<i>Approximately HK\$'000</i>	<i>(% of total)</i>
1 Mini HSI Index Futures (HKSE index futures)	104	1,367	5.3%	Mini HSI Index Futures (HKSE index futures)	66	903	6.6%
2 Light Crude Oil Futures (NYMEX energy futures)	89	14,978	57.9%	Light Crude Oil Futures (NYMEX energy futures)	55	6,813	50.1%
3 HSI Index Futures (HKSE index futures)	86	4,850	18.8%	HSI Index Futures (HKSE index futures)	43	1,688	12.4%
4 Mini HSI-Index Options (HKSE index options)	16	145	0.6%	HSI Index Options (HKSE index options)	13	256	1.9%
5 Gold Futures (COMEX precious metal futures)	15	1,465	5.7%	Japanese Yen Futures (CME forex futures)	10	661	4.9%
6 Mini-HSI H-Shares Index Futures (HKSE index futures)	11	88	0.3%	Gold Futures (COMEX precious metal futures)	10	994	7.3%
7 HSI Index Options (HKSE index options)	10	257	1.0%	Mini HSI-Index Options (HKSE index options)	10	84	0.6%
8 HSI H-Shares Index Futures (HKSE index futures)	9	189	0.7%	Mini Sized Dow Jones (CBOT index futures)	6	412	3.0%
9 Euro FX Futures (CME forex futures)	4	379	1.5%	Euro FX Futures (CME forex futures)	7	439	3.2%
10 Mini Sized Dow Jones (CBOT index futures)	4	262	1.0%	Mini-HSI H-Shares Index Futures (HKSE index futures)	6	48	0.4%

## **MARGIN CALL PROCEDURE**

Where the margin deposit of a client's position in futures contract falls below the maintenance margin level (typically 80% of the initial margin level) as a result of an unfavourable movement in contract price when the relevant position is marked-to-market, we will make a margin call which means that the client will be requested to deposit additional money to their account with us, to restore the initial margin level, failing which Excalibur Global HK may exercise its discretion to liquidate the client's position in order to limit its risk exposure.

All AEs and responsible officers have the responsibility to ensure that margin levels for clients are within reasonable levels. The following margin call procedure is adopted by Excalibur Global HK in the ordinary course of its business:

- dealing staff monitor real-time clients' positions in futures contracts in the margin call list to ensure all requirements in relation to margin deposits and maintenance are met
- margin calls will be initiated by the software monitoring system when the margin deposits of a client has fallen below the applicable maintenance margin level as a result of an unfavourable movement in the contract price of clients' positions
- where margin calls are initiated, the dealing team will liaise with the relevant client and seek instructions as to whether and how the client will make up the shortfall. The dealing team will alert and prompt the relevant client to respond through the online trading system of Excalibur Global HK. Where the relevant client fails to respond, the dealing staff will attempt to contact the client directly by phone and will leave voice messages if unable to reach the client after two phone calls
- clients are generally required to settle a margin call before the next trading day, but they may be required to settle within a shorter timeframe where the market conditions are exceptionally volatile; dealing staff will check whether margin calls have been met within the prescribed time
- the dealing team has the sole discretion to liquidate clients' positions in futures contracts at any time, and to the extent necessary for the client to meet the margin requirements, when applicable maintenance margin requirements are not met. However, the dealing team has discretion not to liquidate open trading positions of clients on a case-to-case basis provided that the approval of a responsible officer is obtained. In exercising such discretion, the dealing team and responsible officer will take into consideration, without limitation, the following matters:
  - (i) the total amount of the shortfall in the margin deposits in the relevant client's account;
  - (ii) whether or not the client has agreed to a "liquidation trigger" (being a threshold percentage of the initial margin level) proposed by the dealing team whereby all or part of the client's open positions will be liquidated; such "liquidation trigger" will ensure that Excalibur Global HK will not be over-exposed and amounts from the liquidation will be sufficient to cover any negative equity in the client account;

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- (iii) the reasons (if any) provided by the client as to why their open positions should not be liquidated (for example, where they will make deposits to cover the call shortly or after market close);
- (iv) the relevant client's past trading record and settlement history, and in particular, whether or not the client has previously materially delayed and/or failed to restore equity in their accounts as required;
- (v) the credit, trading and position limits designated to the relevant client based on their background and financial health (which are reviewed and updated by the risk management team of Excalibur Global HK on a periodic basis);
- (vi) the relevant client's portfolio composition and the balance of any other accounts held with Excalibur Global HK; and
- (vii) the market conditions and level of market volatility at the relevant time; during periods of substantial adverse price movements, the responsible officer will be more vigilant in approving decisions not to liquidate material open positions unless there are acceptable justifications; conversely, where the price movements are relatively stable, then the dealing team may observe whether the price will stabilise or regain an upward trend such that clients' positions will likely regain maintenance margin levels.

Such discretion of the dealing team is important for clients who may not wish to liquidate their positions as a result of interim fluctuations in the market (especially during overnight periods when overseas global exchanges are still open but the client may not be awake) which are otherwise manageable.

To further manage our clients' expectations, the dealing team may alert clients in advance in respect of (i) the potential impact of certain market events or information on open positions or futures contracts held by them and strategies to deal with expected volatility in the market; and/or (ii) the possibility that their open positions may be liquidated if their maintenance margins are not met under such market conditions.

- it is the general policy of Excalibur Global HK for dealing staff to liquidate contracts held in client accounts as soon as practicable and to the extent necessary where the margin level of a client has fallen below 50%
- the following are additional procedures carried out by Excalibur Global HK to manage clients' margin positions during market open and market close on a daily basis:
  - (i) *at the time of Hong Kong market open*: a margin list for clients with margin levels below 50% will be checked on market open and relevant positions will be liquidated as soon as practicable (positions with greatest floating loss are prioritised for liquidation) and the relevant clients are notified immediately; for clients with margin levels below 80%, the dealing team will examine the circumstances on a case-to-case basis as described above;



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- (ii) *at the time of Hong Kong market close*: an intra-day margin call report for clients with margin levels lower than required maintenance levels will be reviewed and dealing staff will follow up with relevant clients for instructions as well as to remind them of the possibility that their positions may be liquidated; if a response cannot be obtained, then relevant positions should be liquidated before market close; a final check is also performed to ensure that all remaining clients have higher than maintenance margin levels; after market close, a margin call report is submitted to the responsible officer for review.

### **Margin calls leading to liquidation of open positions**

During the Track Record Period, Excalibur Global HK initiated 479 margin calls which had led to whole or partial liquidation of clients' positions. Many of these were not forced liquidations but were liquidations agreed with the clients after the "liquidation trigger" has been met.

During the Track Record Period and up to the Latest Practicable Date, our Group has not incurred any loss from a failure to recover sums from clients relating to margin calls.

### **MARKETING**

Marketing of our futures and options broking services is generally carried out through the following means:

- (i) as the PRC futures and options industry continues to develop and grow at a rapid pace (especially in light of the PRC futures industry reform), one of our key business strategies is to capitalise on the opportunities that have arisen from (a) the continued promotion of the futures industry by the PRC government; and (b) the growing number of PRC investors looking to diversify their investments who have become more familiarised with futures and options trading. As such, over the period from 1 January 2013 to 30 June 2015, we engaged Joinbest, a PRC investment consultancy, to provide certain marketing-related services to our Group in the PRC. In particular, over the term of the engagement of Joinbest, it has:
  - (a) arranged our participation in various investment seminars and discussion forums (where representatives of Excalibur Global HK spoke about offshore futures markets and products) to familiarise attendees with futures and options trading and Hong Kong as a possible investment venue;
  - (b) arranged representatives of Excalibur Global HK to attend exhibitions and corporate and industry events in the PRC;
  - (c) provided us with market intelligence and information regarding updates and trends in the PRC futures and options industry and investment environment;
  - (d) provided business and strategic advice in relation to our marketing activities in the PRC; and

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- (e) provided appropriately qualified staff (accredited to licensed and/or registered entities in the PRC) to assist us in carrying out certification services as part of our account opening process.

The engagement of Joinbest lapsed in June 2015 and was not renewed by us as our senior management considered that, (i) it was not feasible from a cost-efficiency perspective to outsource our marketing efforts in the PRC indefinitely; and (ii) by internalising our marketing activities in the PRC, we would likely benefit from having greater control over how we market our services and would be able to more effectively target potential PRC clients. To guide us in our marketing efforts in the PRC as well as to assist us in implementing our marketing plans in the PRC, we have engaged two qualified and experienced consultants (namely the vice chairman (Mr. Ding) and vice general manager (Ms. Feng Lili) of New Era, a registered futures brokerage in the PRC). Our marketing initiatives in the PRC involve, without limitation:

- (a) collaboration with, and participation in seminars organised by futures brokerage firms in the PRC (similar to those previously organised by Joinbest) aimed at familiarising attendees with futures and options trading and futures products and Hong Kong as a possible investment venue. Notably, we have successfully organised, and will continue to arrange, seminars with guest speakers from the HKEx and the CME Group in the PRC; and
  - (b) the planned establishment of an office in Qianhai to increase and localise our marketing efforts in the PRC which will involve recruiting and training a team of experienced and qualified marketing staff to assist in the launch of our marketing campaign in the PRC. The marketing campaign in the PRC will initially target geographical regions in the Pearl River Delta Area, and will continue to engage potential PRC clients through interactive educational events, workshops, competitions and sharing sessions aimed at promoting futures products as an alternative investment option for PRC investors and to build up their confidence in carrying out futures trading through us.
- (ii) Mr. Poon, our executive Director, speaks regularly on radio programmes targeting PRC investors relating to futures trading strategies and tactics in light of changing market conditions and overall economic environment;

Together with our marketing initiatives in the PRC, the continuance of our marketing efforts in Hong Kong is equally important to our Group, for instance, we have organised a public seminar in Hong Kong on the use of futures and options as an investment tool on 4 January 2017 which was presented by Mr. Poon, our executive Director, Mr. Kwok, the Marketing Manager of our Group, and representatives from each of the CME Group and the HKEx. The seminar was attended by over 200 participants;

- (iii) our Self-Employed AEs are remunerated on the basis of the volume of trades carried out in the portfolio of Referred Accounts of clients referred and managed by them and as such, they are incentivised to maintain good business relationships with the relevant clients as well as expand their networks by soliciting new clients through referrals. We provide our Self-Employed AEs with such assistance as they may require for marketing our services;

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- (iv) we assist our Self-Employed AEs in their provision of on-site training relating to the trading of futures and options products which they provide to students, as part of the educational programmes or courses organised by them and/or third party institutions independently of our Group. We believe that through such training, students may become familiar with futures trading as well as gain real experience in executing trades through our online trading platform and use of our services. Quite often, these students will open a client account with us for trading upon completion of their training. Our Directors believe that such training is an effective method of raising our brand awareness which will assist us expand our client base;
- (v) we aim to ensure that our website is informative and helpful to existing and potential clients by maintaining know-how relating to investments in futures and options products which we believe will assist existing and potential clients in understanding futures and options trading. Information about services provided by Excalibur Global HK, details about our 24 hour client service hotline as well as instructions for downloading our trading tools and mobile applications are published on our website for the convenience of our existing and potential clients; and
- (vi) we rely to a material extent on client referrals from existing clients who are satisfied with our services. To ensure that we continue to benefit from such referrals, we aim to provide personalised and quality services and maintain a good relationship with our existing clients.

Our Directors believe that the above marketing initiatives and activities in Hong Kong and the PRC have been effective in attracting clients to open and maintain trading accounts with us, and that our marketing strategy (including setting up an office and marketing team in the PRC) with a focus in penetrating the PRC market, will assist us in realising our potential to grow our client base.

### IT SYSTEM

Our Directors believe that our IT infrastructure is of fundamental importance to our operations as it provides essential and functional support to our daily operations, account management, risk management and new business development. Further, the ability to provide an efficient, integrated and stable online trading platform to our clients is an important attribute to our operations. Please refer to the paragraph headed “Our competitive strengths” in this section of the prospectus for details of the hardware and software we have installed as well as the measures we have put in place to ensure that our clients are able to use our online trading platform without material problems or delay.

We utilise IT systems and equipment and software developed by third-party IT providers and we place strong emphasis on maintaining and upgrading our IT equipment on a timely basis. We have established an IT department which is responsible for:

- (i) ***supporting our operations:*** establishing and maintaining IT systems to facilitate the monitoring of our business operations including, without limitation, reviewing futures trading activities and margin requirements, reviewing client account opening status and allocating employee authorisation levels for conducting such reviews;

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- (ii) ***maintaining our IT systems:*** maintaining our IT systems in good working order through regular maintenance and repair checks, implementing measures to prevent malfunctions and providing resolutions when malfunctions occur, devising IT emergency and contingency plans as well as managing and carrying out necessary system upgrades;
- (iii) ***Internet safety and security:*** safeguarding our IT facilities (including computer rooms, servers, operating systems and data centers) and devising measures to safeguard the integrity of our IT systems through the establishment of firewalls and other security measures; and
- (iv) ***development and enhancement of our online trading platform:*** working closely with our independent software vendor to develop and enhance the efficiency of our online trading platform, computer screen interface as well as features of the software used on our online trading platform (including those for retrieving market and trade information, execution of trade orders and enhancing internal control measures).

Our IT expenditure amounted to approximately HK\$3.2 million, HK\$2.6 million and HK\$1.4 million for FY2015, FY2016 and 1H2017, respectively.

### BROKERAGE FEE RATE AND PRICING POLICY

We receive brokerage fees from clients who trade futures and options products through our online trading platform. Over the Track Record Period, the amount of brokerage fees which Excalibur Global HK charged its clients for executing and/or arranging the execution of trades ranged from HK\$3.9 to HK\$389.3 per futures contract depending on the type of product.

The following table sets out the average brokerage fee per futures contract charged by Excalibur Global HK on its clients by category of key futures and options products traded through us over the Track Record Period:

	FY2015		FY2016		1H2016		1H2017	
	Gross commission (HK\$) (Note 1) Average	Net commission (HK\$) (Note 2) Average	Gross commission (HK\$) (Note 1) Average	Net commission (HK\$) (Note 2) Average	Gross commission (HK\$) (Note 1) Average	Net commission (HK\$) (Note 2) Average	Gross commission (HK\$) (Note 1) Average	Net commission (HK\$) (Note 2) Average
Index futures and options								
HSI Futures	38.2	38.2	54.2	54.2	56.6	56.6	39.3	39.3
Mini HSI Futures	9.7	9.7	13.9	13.9	13.1	13.1	13.7	13.7
HSI Options	33.9	33.9	23.7	23.7	24.6	24.6	20.4	20.4
XinHua China A50								
Index Futures	60.0	47.7	148.6	137.8	138.9	128.0	219.1	208.2
Forex futures								
Euro FX Futures	105.4	89.4	84.2	68.2	88.2	72.2	65.5	49.5
Japanese Yen Futures	104.2	85.5	71.3	52.6	78.4	59.7	63.5	44.8

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	FY2015		FY2016		1H2016		1H2017	
	Gross commission (HK\$) (Note 1) Average	Net commission (HK\$) (Note 2) Average	Gross commission (HK\$) (Note 1) Average	Net commission (HK\$) (Note 2) Average	Gross commission (HK\$) (Note 1) Average	Net commission (HK\$) (Note 2) Average	Gross commission (HK\$) (Note 1) Average	Net commission (HK\$) (Note 2) Average
Energy futures								
Light Crude Oil								
Futures	154.2	139.3	156.6	141.7	168.1	153.2	124.8	109.9
Precious metal futures								
Gold Futures	77.0	62.2	102.8	87.9	100.1	85.2	98.2	83.4
Industrial metal futures								
High Grade Copper								
Futures	196.7	181.9	196.5	181.6	197.6	182.8	193.3	178.4
Agricultural futures								
Soybean Futures	188.8	170.0	136.6	117.9	145.8	127.1	86.5	67.8
Wheat Futures	89.8	71.0	83.7	65.0	128.5	109.7	62.6	43.9

*Notes:*

1. “Gross commission” refers to the amount of fees which our clients were charged for trading futures and options products through our trading platform (inclusive of fees charged by our overseas brokers in respect of products traded on overseas futures exchanges, including their brokerage commission and overseas exchange and clearing fees) and NFA assessment fees.
2. “Net commission” refers to the amount of fees which were received by Excalibur Global HK in respect of each executed transaction facilitated through Excalibur Global HK, exclusive of the fees mentioned in Note 1.

For further details, please refer to the section headed “Financial information — Description and analysis of principal components of our results of operations — Revenue — Brokerage fees we charge our clients” in this prospectus.

### ***Our pricing policy***

We generally do not engage in pricing competition nor do we offer plans, such as monthly-fixed-charge plans or commission ceiling plans. Please refer to the paragraph headed “Our competition” in this section of this prospectus for further details regarding our competitive landscape. As a result, when determining the brokerage fee we charge our clients for the trading of futures contracts, we may not necessarily set the lowest price offered in the market but rather take into account one or more of the following factors:

- (i) the brokerage fees charged by futures brokerage firms we consider as competitors who provide similar quality services to the services provided by our Group;

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- (ii) the willingness and ability of our clients to pay a premium for reliable and personalised services and/or speedy access to information on, and the trading of, futures and options products; and
- (iii) arm's length negotiations with relevant clients based on their background and profile (for example, their trading history including frequency and volume of trades; length of client relationship with us; in respect of a PRC client, the brokerage fees charged by local brokerages in the PRC for access to a particular futures product and the liquidity of the relevant product in the PRC).

It is our policy to charge a premium for trading positions which remain open by the close of business of the HKFE, due to the risks involved in holding open positions overnight. We do not charge a premium for futures or options products traded on global futures exchanges as these exchanges are operated on a 24 hour basis.

### *Pricing of products traded in Referred Accounts*

As our Self-Employed AEs are remunerated on a commission basis based on the amount of trades which are executed through the Referred Accounts of clients sourced and/or served by them, the amount of the brokerage fee we charge on futures products traded through the Referred Accounts will have a direct bearing on the amount of commissions which are payable to the Self-Employed AEs.

As our interests are aligned with that of our Self-Employed AEs, we generally permit our Self-Employed AEs to negotiate with clients in respect of the amount of brokerage fees chargeable on trades in Referred Accounts, subject to a prescribed minimum. Our Self-Employed AEs have a natural incentive to attempt to negotiate higher brokerage fees with clients, which is balanced against a need to retain the client. However, in order to prevent our Self-Employed AEs from charging exorbitant brokerage fees which may adversely affect our reputation and competitiveness, we may apply a discretionary discount on commissions payable to them where, in the view of senior management, the brokerage fees charged were too high.

For further details on the remuneration of our Self-Employed AEs, please refer to the paragraph headed "Our staff" in this section of this prospectus.

### *Revision of brokerage rate charged on a case-by-case basis*

Excalibur Global HK does not generally offer rebates or discounts to its clients. However, some clients may (because of their trading record, financial credibility and expected volume of trading) renegotiate with the Excalibur Global HK for a revision of the brokerage rate charged that is lower than the current rate charged on them. In such instances, the senior management of our Group may agree to charge the client a lower commission rate taking into consideration our Group's business relationship with the relevant client.

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## OUR MAJOR CLIENTS

### Our top 5 clients

For FY2015, FY2016 and 1H2017, the amount of revenue generated from brokerage fees derived from transactions carried out by our five largest clients amounted to approximately HK\$15.2 million, HK\$18.2 million and HK\$6.3 million respectively, representing approximately 35.1%, 44.7% and 46.3% of our Group's total revenue for the respective periods.

The table below set out certain information on our five largest clients during the Track Record Period:

#### FY2015

Rank	Client's name	Nationality of client (1)	Major type of products traded	Revenue contributed (HK\$'000) <i>approximately</i>	% of total revenue <i>approximately</i>	Years of relationship with the Group
1	Mr. Lui	Hong Kong	Energy futures, index futures/options and forex futures	5,144	11.8	7 years
2	Leung Chun Wing	Hong Kong	Index futures/options and energy futures	3,916	9.0	4 years
3	Li Xiao Sheng	Mainland Chinese	Energy Futures, index futures/options and agricultural futures	2,831	6.5	15 years
4	Client A	Mainland Chinese	Energy futures and index futures/options	1,785	4.1	2 year
5	Client B	Mainland Chinese	Energy futures and index futures/options	1,573	3.6	2 year

#### FY2016

Rank	Client's name	Nationality of client (1)	Major type of products traded	Revenue contributed (HK\$'000) <i>approximately</i>	% of total revenue <i>approximately</i>	Years of relationship with the Group
1	Mr. Lui	Hong Kong	Energy futures, index futures/options and precious metal futures	9,360	23.0	7 years
2	Qu Mei Kuan	Canadian	Energy futures and index futures/options	3,002	7.4	5 years
3	Leung Chun Wing	Hong Kong	Energy futures and index futures/options	2,704	6.6	4 years
4	Li Xiao Sheng	Mainland Chinese	Energy futures, index futures/options and precious metal futures	2,181	5.4	15 years
5	Lin Ke	Mainland Chinese	Energy futures	981	2.4	2 year

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### 1H2017

Rank	Client's name	Nationality of client (1)	Major type of products traded	Revenue contributed (HK\$'000) <i>approximately</i>	% of total revenue <i>approximately</i>	Years of relationship with the Group
1	Li Xiao Sheng	Mainland Chinese	Energy futures, index futures/options and precious metal futures	2,695	19.8	15 years
2	Ng Wai Huen	Hong Kong	Energy futures, index futures/options and precious metal futures	1,036	7.6	1 year
3	Qu Mei Kuan	Canadian	Energy futures, forex futures, and index futures/options	914	6.7	5 years
4	Wan Ding Wah	Hong Kong	Energy futures and precious metal futures	887	6.5	4 years
5	Wong Lai Ngo	Hong Kong	Index futures/options and energy futures	771	5.7	1 year

*Note:*

(1) Based on nationality declared by client in account opening documentation

None of our Directors, chief executive, or any person who, to the knowledge of our Directors, owns more than 5% of the issued share capital of our Company or any of its subsidiaries, or any of their respective associates, had any interest in any of our five largest clients during the Track Record Period.



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### Products traded by our top client, Mr. Lui, for FY2015 and FY2016

The following table sets out a breakdown of the key traded futures products that were traded by Mr. Lui over the periods indicated:

	FY2015				FY2016			
	Revenue (HK\$'000)	% of total	Number of contract traded	Average gross commission	Revenue (HK\$'000)	% of total	Number of contract traded	Average gross commission
<b>CME Group</b>								
Light Crude Oil Futures	2,715	52.8	16,358	166.0	6,736	72.0	35,682	188.8
Gold Futures	179	3.5	866	206.6	87	0.9	518	168.3
Others	<u>381</u>	7.4	<u>1,894</u>	200.9	<u>73</u>	0.8	<u>374</u>	194.4
Sub-total	3,275	63.7	19,118	171.3	6,896	73.7	36,574	188.6
<b>HKFE Group</b>								
Mini HSI Futures	36	0.7	1,366	26.2	368	3.9	20,864	17.6
HSI Futures	1,462	28.4	10,440	140.0	2,091	22.3	15,080	138.7
Others	<u>—</u>	—	<u>6</u>	12.9	<u>—</u>	—	<u>6</u>	61.8
Sub-total	1,498	29.1	11,812	126.8	2,459	26.3	35,950	68.4
<b>SGX</b>	353	6.9	1,824	193.6	1	0.0	10	147.4
<b>Other futures exchanges</b>	<u>18</u>	0.3	<u>90</u>	204.2	<u>2</u>	0.0	<u>24</u>	77.6
Total	<u>5,144</u>	100.00	<u>32,844</u>	156.6	<u>9,358</u>	100.0	<u>72,558</u>	129.0
	1H2016				1H2017			
	Revenue (HK\$'000)	% of total	Number of contract traded	Average gross commission	Revenue (HK\$'000)	% of total	Number of contract traded	Average gross commission
<b>CME Group</b>								
Light Crude Oil Futures	6,030	75.2	31,916	188.9	436	94.0	2,242	194.5
Gold Futures	87	1.1	518	168.3	1	0.2	4	194.3
Others	<u>73</u>	0.9	<u>374</u>	194.4	<u>1</u>	0.2	<u>4</u>	194.6
Sub-total	6,190	77.2	32,808	188.7	438	94.4	2,250	194.5
<b>HKFE Group</b>								
Mini HSI Futures	233	2.9	14,738	15.8	7	1.5	602	11.4
HSI Futures	1,594	19.9	11,540	138.2	19	4.1	134	139.5
Others	<u>—</u>	—	<u>6</u>	61.8	<u>—</u>	—	<u>—</u>	—
Sub-total	1,827	22.8	26,284	69.5	26	5.6	736	34.7
<b>SGX</b>	1	0.0	10	147.4	—	—	—	—
<b>Other futures exchanges</b>	<u>2</u>	0.0	<u>24</u>	77.6	<u>—</u>	—	<u>—</u>	—
Total	<u>8,020</u>	100.00	<u>59,126</u>	135.7	<u>464</u>	100.0	<u>2,986</u>	155.1

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The average gross commission income generated from futures products traded by Mr. Lui was generally higher than the average gross commission income generated from other clients of the Group, primarily because Mr. Lui traded more global futures (which we generally charge higher brokerage fee) compared to HKFE products (which we generally charge a lower brokerage fee).

Other than Mr. Lui (our top client in FY2015 and FY2016) and Mr. Lin Ke (one of our top 5 client in FY2016) who were related to our Group (please refer to the paragraph headed “Major clients related to our Group” below for details), all of our five largest clients were Independent Third Parties.

It is the nature of our business that we do not enter into long-term agreements with our clients.

### **Revenue generated from our top 30 clients**

Revenues attributable to our top 30 clients constituted 67.4%, 67.8% and 79.3% of our total revenue for FY2015, FY2016 and 1H2017 respectively. Of these clients, 18, 21 and 20 were Mainland Chinese (based on the nationality declared by them in their account opening documentation) who has opened a bank account with an authorised institution (as the term is defined in the Banking Ordinance) in Hong Kong for FY2015 and FY2016 and 1H2017 respectively, while the majority of the remainder were Hong Kong residents.

As at 30 June 2017, the total equity balance held in the client accounts of our top 30 clients was, approximately HK\$8.0 million (or HK\$266,000 per client on average).

### **Major clients related to our Group**

#### **A. Mr. Kwok**

Over the Track Record Period, Mr. Kwok, a Self-Employed AE accredited to Excalibur Global HK, held 100 sub-accounts (“**Sub-accounts**”) under his client accounts which he uses for the purpose of carrying out on-site training for their students in respect of trading futures and options products. Please refer to the paragraph “Business model — Advising in futures contracts” above for further information relating to such on-site training.

As a result of his personal trading (through his client accounts) and trades carried out under the Sub-accounts in his name for on-site training purposes, Mr. Kwok was the 18th, 17th and 23rd largest client of our Group for FY2015, FY2016 and 1H2017 respectively, contributing HK\$467,616 (approximately 1.1%), HK\$337,738 (approximately 0.8%) and HK\$84,569 (approximately 0.6%) to our Group’s total revenue in the respective periods.

Mr. Kwok was treated materially similarly to other clients of Excalibur Global HK, contracting for our services on an arm’s length basis under normal commercial terms. In particular:

- (i) the brokerage fees charged by Excalibur Global HK for trades carried out over the Sub-accounts were materially in line with its pricing policies and were not at a material discount to the fees it charges other clients;

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- (ii) the rebates which Mr. Kwok was paid as commission for trades carried out in the Sub-accounts were based on the same formula Excalibur Global HK uses to calculate commissions payable to Self-Employed AEs for other referred accounts;
- (iii) while Mr. Kwok will deposit part of the training fees received from students into the Sub-accounts for the purpose of on-site training, the students do not have any recourse or right of refund (other than under equity) to the amounts paid to Mr. Kwok which were deposited in the Sub-accounts for on-site training. As such, all monies standing in the credit of the Sub-accounts were legally and beneficially owned by Mr. Kwok; and
- (iv) all Sub-accounts were monitored by Excalibur Global HK (as with all other trade accounts of other clients) and any suspicious transactions involving substantial amounts will be reported to responsible officers of Excalibur Global HK.

### ***B. Transactions with Mr. Lui***

Mr. Lui was the largest client of our Group for FY2015 and FY2016 and the 7th largest client of the Group in 1H2017, contributing approximately HK\$5.1 million (approximately 11.8%), approximately HK\$9.4 million (approximately 23.0%) and approximately HK\$0.5 million (approximately 3.4%) to our total revenue for the respective periods.

#### *Relationship between Mr. Lui and Joinbest*

In FY2015, Joinbest was the top service provider to the Group and was paid approximately HK\$3.9 million (representing approximately 19.0% of the total operating expenses of the Group) for the period. The services provided by Joinbest to the Group included, among others services, organising investment seminars, discussion forums, conferences, exhibitions and other events in the PRC; providing business and strategic advice on marketing activities and providing market intelligence and information regarding the futures and options and investment environment in the PRC (collectively, the “**Services**”). We consider that such activities were important in securing clients from the PRC, who were our sources of major revenue over the Track Record Period. The agreement under which services were provided by Joinbest to Excalibur Global HK lapsed in June 2015.

Over the period from 16 April 2011 to 1 January 2013, Mr. Lui assisted Excalibur Global HK in its preparation for the launch of a futures trading software (which was not eventually launched) in the PRC. Since 1 January 2013 (when the Group commenced the engagement of Joinbest for the provision of the Services) and up to 31 March 2014, Mr. Lui also: (i) acted as a liaison between Excalibur Global HK and Joinbest in respect of the Services; and (ii) introduced some of his contacts in the PRC to Joinbest for the purpose of their attending educational seminars hosted by Joinbest as part of the Services.

For such services, Excalibur Global HK (i) paid Mr. Lui an amount of HK\$14,000 per month (over the period from April 2011 to December 2011) and HK\$15,000 per month (over the period from 1 January 2012 to March 2014); and (ii) made mandatory provident fund contributions for Mr. Lui, for insurance purposes. Despite the provision of the Services by Joinbest, Mr. Lui was not regarded as an employee of the Group as he has not entered into a continuous contract of employment with the Group and was not entitled to any social benefits and entitlements under the

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Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The payments made to Mr. Lui over the relevant periods was only intended to cover expenses that he may incur in his provision of the Services.

Mr. Lui claims that he provided the above service to Excalibur Global HK on a friendly basis due to his acquaintance with Joinbest and he has confirmed that he does not have any personal, financial, legal, equitable or beneficial interests whatsoever in the shareholdings and/or directorships of Joinbest.

Despite the fact that Mr. Lui acted as a liaison between Joinbest and Excalibur Global HK, he has declared that:

- (i) other than described herein, he did not receive any other commission, fee, benefit or remuneration of any kind whatsoever from the Group;
- (ii) in respect of trades executed through Excalibur Global HK over the Track Record Period:
  - (a) he was the sole owner of all the relevant client accounts and assets thereunder;
  - (b) he acted as principal and not as agent on behalf of any person;
  - (c) he made all relevant investments using his own resources and based on his own decisions; and
  - (d) his client relationship with Excalibur Global HK was on an arms-length basis.

Further, the Company has confirmed that:

- (i) the brokerage services provided to Mr. Lui were on an arm's length basis and on normal commercial terms. In particular:
  - (a) the brokerage fees charged were within the normal price range charged by Excalibur Global HK on its other customers for trading similar products; and
  - (b) the client account opening procedures, and client agreements entered into with Mr. Lui were the same as those Excalibur Global HK applies and enters into with its other clients;
- (ii) the internal controls standards and corporate governance measures were applied when dealing with Mr. Lui and in broking his transactions over the Track Record Period.

### **C. Mr. Lin Ke**

Mr. Lin Ke was the sole shareholder of Joinbest (the top service provider of the Group for FY2015). Mr. Lin Ke was the top 30, top 5 and top 6 client of the Group for FY2015, FY2016 and 1H2017 respectively, contributing HK\$226,955 (approximately 0.51%), HK\$981,230 (approximately 2.4%) and HK\$670,975 (approximately 4.9%) to our total revenues for the respective periods.

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### Clients who are connected persons or staff of the Group

#### A. Mr. Chan

Mr. Chan (an executive Director and Controlling Shareholder of the Company) and Team Success (a corporation which he controlled up to 13 October 2015) were clients of, and has maintained trading accounts with, Excalibur Global HK over the Track Record Period.

Total revenues generated from the relevant transactions in the relevant accounts amounted to approximately HK\$0.9 million for FY2015, representing 2.0% of the Group's total revenues for the period.

#### B. Staff dealing

Total revenue derived from brokerage fees received from dealings of staff of the Group through Excalibur Global HK for FY2015 was approximately HK\$103,500, all of whom were charged a brokerage fee within the range of brokerage fee rates which Excalibur Global HK charges its other clients. Save for brokerage fees received from Mr. Kwok's personal trading (amounting to HK\$418 after he was engaged as a full-time employee since February 2017), no revenue was derived from any staff dealing in FY2016 and 1H2017 respectively.

The Company confirms that all brokerage services provided by Excalibur Global HK to related persons during the Track Record Period were on an arm's length basis and on normal commercial terms.

### Group's commission income from related persons during the Track Record Period and the cash flow requirements under Rule 11.12A(1) of the GEM Listing Rules

The following table sets out the commission income of the Group generated from the trading of related persons through our online trading platform during the Track Record Period:

	FY2015 HK\$'000	FY2016 HK\$'000	1H2017 HK\$'000
Connected persons (Mr. Chan and Team Success)	745	—	—
Existing staff	103	—	—
Previous staff (Mr. Lau)	1,061	136	—
Self-employed AEs (own account)	57	45	2
Self-employed AEs (Sub-accounts)	425	300	84
Mr. Lui	5,144	9,360	463
Mr. Lin Ke (sole shareholder of Joinbest)	<u>227</u>	<u>987</u>	<u>671</u>
Total	<u>7,762</u>	<u>10,828</u>	<u>1,220</u>

Excluding total cash flow derived from brokerage fee income received from (i) major clients who were related to our Group; and (ii) clients who were connected persons or staff of the Group over the Track Record Period as described above (collectively "related persons"), our Group's cash flow

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generated from operating activities in the ordinary and usual course of its business before changes in working capital and taxes paid was approximately HK\$28.4 million, satisfying the financial requirements for Listing under Rule 11.12A(1) of the GEM Listing Rules.

The following table sets out the cash flow analysis of our Group for FY2015 and FY2016, illustrating the effect on cash flow in the ordinary course of business before movement in working capital after exclusion of certain cash flows generated by our Group from the related persons:

	<b>FY2015</b>	<b>FY2016</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK'000</i>
<b>Cash flow</b>	22,564	15,565	38,129
Add:			
Listing expenses	—	8,838	8,838
Less ( <i>Note</i> )			
Connected persons (Mr. Chan and Team Success)	(745)	—	(745)
Existing staff	(103)	—	(103)
Previous staff (Mr. Lau)	(1,061)	(136)	(1,197)
Self-employed AEs (own account)	(57)	(45)	(102)
Self-employed AEs (Sub-accounts)	(425)	(300)	(725)
Mr. Lui	(5,144)	(9,360)	(14,504)
Mr. Lin Ke (sole shareholder of Joinbest)	(227)	(987)	(1,214)
<b>Total cash flow (excluding transactions with related persons)</b>	<b>14,802</b>	<b>13,575</b>	<b>28,377</b>

*Note:* The above cash flow is calculated based on commission revenue generated by the relevant persons during the Track Record Period, without adding back related expenses incurred for generating the relevant revenue.

The Reporting Accountants have carried out certain agreed-upon procedures in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” to reconcile the commission revenue generated by our Group from our related persons as set forth in the table above with the schedule prepared by the management of our Group, which shows a breakdown of revenue generated from all customers during the Track Record Period. In performing these agreed-upon procedures, the Reporting Accountants have (i) obtained a management summary of brokerage fees received from each individual customers during FY2015 and FY2016 (“**Overall Summary**”); (ii) agreed the total amount of brokerage fees received on the Overall Summary to the management accounts of the Company for the relevant years; (iii) checked the mathematical accuracy of the Overall Summary; (iv) agreed the revenue generated from its related persons listed in the above table to the Overall Summary; (v) obtained a monthly summary of brokerage fee breakdown by accounts received from its related persons prepared by management (“**Monthly Revenue Breakdown by Account**”); and (vi) agreed, on a sample basis, the amount on the Monthly Revenue Breakdown by Account to the “Combined Monthly Statement and Contract Notes” (i.e. the monthly statement that our Group sent to its customer every month).

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### Whether transactions with related persons will continue after the Listing

Over the period from 1 July 2017 up to the Latest Practicable Date, the amount of commission income generated from trades executed on behalf of our related persons was as follows:

	<b>Commission generated (HK\$)</b>
Mr. Kwok (personal trading) ( <i>Note</i> )	2,534
Mr. Kwok (under Sub-accounts)	108,600
Mr. Lui	425,638
Mr. Lin Ke	74,775
Mr. Chan	188
Staff dealing	Nil

*Note:* Over the Track Record Period and up to the Latest Practicable Date, Mr. Kwok was the only Self-Employed AE accredited to Excalibur Global HK who had also been engaged as a full-time employee (in the capacity of Marketing Manager of our Group) since February 2017.

Trading executed through Sub-accounts under the name of Mr. Kwok is expected to continue after Listing as Excalibur Global HK will continue to facilitate on-site training to students in respect of futures contracts trading.

No revenue was derived from any staff dealing over the period from 1 July 2017 up to the Latest Practicable Date (save for Mr. Kwok's personal trading as disclosed above).

The above amount of commission generated by our related persons are not indicative of the future trading volume of related parties which may be transacted through Excalibur Global HK. Their prospective trading volumes would be determined by factors such as their investment preference and strategies (which may be influenced by prevailing market conditions) and whether they will continue to use our brokerage services.

Subject to applicable exemptions, the Company will comply with all applicable requirements under Chapter 20 of the GEM Listing Rules in respect of any connected transactions proposed to be entered into between our Group and any of our related persons who fall under the definition of "connected persons" in the GEM Listing Rules. The Company has also undertaken to the Stock Exchange that it will disclose the transactions of the Group with the related persons, if any, in each of its annual reports following the Listing.

### OUR MAJOR SERVICE PROVIDERS

We have no major suppliers due to the nature of our principal business activities. Over the Track Record Period, we engaged various service providers to provide services necessary for our business operations.

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The following table sets forth the particulars of our five largest service providers over the Track Record Period:

### FY2015

Rank	Service providers' name	Service provided	Transaction amount <i>HK\$'000</i> <i>approximately</i>	Percentage of total costs <i>approximately</i>	Year(s) of relationship with the Group <i>approximately</i>
1	Joinbest	Marketing in the PRC	3,912	19.0%	3 years
2	R.J. O'Brien	Brokerage of overseas futures contracts	3,414	16.5%	6 years
3	Sharp Point	Provider of Internet trading software solutions	1,596	7.7%	14 years
4	Service Provider A	Brokerage of overseas futures contracts	509	2.5%	10 years
5	CITIC	Provision of Internet services	407	2.0%	4 years

### FY2016

Rank	Service providers' name	Service provided	Transaction amount <i>HK\$'000</i> <i>approximately</i>	Percentage of total costs <i>approximately</i>	Year(s) of relationship with the Group <i>approximately</i>
1	R.J. O'Brien	Brokerage of overseas futures contracts	2,874	17.2%	7 years
2	Sharp Point	Provider of Internet trading software solutions	1,381	8.3%	15 years
3	CITIC	Provision of Internet services	485	2.9%	5 years
4	Service Provider A	Brokerage of overseas futures contracts	274	1.6%	11 years
5	HKEx Group	Futures exchange for trading of futures contracts	231	1.4%	17 years

### 1H2017

Rank	Service providers' name	Service provided	Transaction amount <i>HK\$'000</i> <i>approximately</i>	Percentage of total costs <i>approximately</i>	Year(s) of relationship with the Group <i>approximately</i>
1	R.J. O'Brien	Brokerage of overseas futures contracts	1,363	16.1%	7 years
2	Sharp Point	Provider of Internet trading software solutions	610	7.2%	15 years
3	CITIC	Provision of Internet services	242	2.9%	6 years
4	Service Provider A	Brokerage of overseas futures contracts	205	2.4%	11 years
5	HKEx Group	Futures exchange for trading of futures contracts	119	1.4%	17 years

Our major service providers over the Track Record Period included a PRC marketing consultant, an independent software vendor, overseas brokers, Internet service providers and a futures exchange. We generally do not enter into long-term agreements with these service providers. A description of our major service providers is set out below.



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### A. PRC consultant

Joinbest is a PRC consultancy which was engaged by our Group as part of its marketing initiatives to capitalise on opportunities arising from the growing number of PRC investors who may be interested in investing in futures and options products. For details of the services which were provided by Joinbest to our Group up to June 2015 over the Track Record Period, please refer to the paragraph headed “Marketing” in this section of the prospectus. Joinbest was our largest service provider in terms of the amount of total expenses paid for FY2015.

### B. Independent software vendor

Our online trading platform which enables our clients to: (i) access market information (including pricing and volume of futures and options products traded on the various global futures exchanges); and (ii) place trade orders, is supported by a software interface provided by an independent software vendor called Sharp Point.

Sharp Point is a provider of electronic trading solutions to brokerage and financial institutions. Sharp Point has licensed to Excalibur Global HK an integrated trading application which facilitates the trading of futures products over the HKFE and across global futures exchanges. The software provides an interface pursuant to which:

- (i) our clients may review information regarding futures products on the HKFE and various global futures markets;
- (ii) our clients may place trade orders in respect of futures products on the HKFE and various futures markets which is facilitated through connections which Excalibur Global HK and/or overseas brokers (with trading rights with the relevant futures exchanges) have established on the online trading platform;
- (iii) our AEs may review margin maintenance and requirements of open positions and carry out risk management functions; and
- (iv) our AEs may provide market alerts and information to our clients from time to time.

The software interface of Sharp Point is widely used among futures brokerages in Hong Kong. In order to ensure that the software interface is well suited to the needs of our clients, we regularly provide feedback to Sharp Point with a view to improving the accessibility and functionality of the software interface.

For the use of the software interface, Sharp Point charges: (i) a pre-determined fixed monthly licence fee (which may be reviewed from time to time) for the licence of the software; and (ii) an additional fee which is charged per transaction executed through the use of the software interface, at a rate which depends on the types, volume and exchanges on which futures products are traded.

Excalibur Global HK has engaged Sharp Point for the provision of the software interface from 2002 until the Latest Practicable Date, and to date it has not experienced any material disruption in terms of use of the software interface. To ensure that our business operations would not be materially

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affected by a failure to secure the service of Sharp Point, we have adopted an IT continuity plan, details of which are set out in the paragraph headed “IT related controls and contingency plans” in this section of the prospectus.

In terms of the amount of total expenses paid, Sharp Point was our third largest service provider in FY2015 and our second largest service provider for FY2016 and 1H2017 respectively.

### **C. Overseas brokers**

In order to gain access to futures and options traded on global futures exchanges in which we are not a clearing member and/or which we are not admitted as a trading participant, we have entered into arrangements with various overseas brokerage firms who have requisite trading rights with the relevant global futures exchanges. We maintain an omnibus client account with each of these overseas brokerage firms through which our clients may place their trade orders in respect of futures products traded on global futures exchanges through our online trading platform.

Over the Track Record Period, we have engaged the following overseas brokers:

- (i) R.J. O’Brien, primarily for transactions relating to products traded by our clients through the CME Group;
- (ii) ADMIS, primarily for transactions relating to products traded by our clients through LME and the CME Group; and
- (iii) Service Provider A, primarily for transactions relating to products traded by our clients on the SGX.

In addition to providing access to global futures exchanges, R.J. O’Brien also provides data services which enable our clients to view real-time market information (such as the bid or ask price of products traded on relevant global futures exchanges) over the software interface on our online trading platform.

As with our business operations, these overseas brokers carry out similar “mark-to-market” valuations and assessments, reviews of account equity positions and evaluate the necessity to make margin calls prior to executing trades through the omnibus account we maintain with them. Although trades are carried out through an omnibus account with each overseas broker, the margin requirements are to be met individually by each of our clients placing a trade order and we would take steps to ensure that the failure of a single client, or clients, to meet margin requirements would not affect the trades of other clients.

For a trade which is carried out through an overseas broker, the overseas broker will charge: (i) a brokerage fee; and (ii) disbursements including the trading exchange fee charged by the relevant futures exchange for executing the relevant trade order. The fee which we will charge our client for an executed trade will include the total amount of fees charged by the overseas broker, together with a brokerage fee which we will charge for arranging the trade through the overseas broker.

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### *Further background information in relation to overseas brokers*

#### *R.J. O'Brien*

R.J. O'Brien & Associates, LLC, formerly known as Jon V. McCarthy & Co., was founded in 1914 in Chicago, Illinois, the U.S.. The firm is a future brokerage and clearing company in the U.S. and it offers a range of services to a global network of introducing brokers as well as to commercial, institutional, international, and individual investors in respect of the trading on agriculture, energy, equity indices, fixed income, foreign exchange, metals, soft commodities, and structured products markets. The firm has operation offices worldwide including those located in New York, London, Beijing, Hong Kong, and Toronto.

R.J. O'Brien is a registered futures commission merchant with the Commodity Futures Trading Commission and the NFA in the U.S. and is also a registered Swap Dealer Member with the NFA. Its sister company, R.J. O'Brien & Associates HK Limited, is also licensed with the SFC to carry on type 2 (dealing in futures contracts) regulated activity. Together, they possesses the requisite licences to execute trades traded by our clients through the CME Group.

In the period since our Group has engaged the services of R.J. O'Brien (for the purpose of executing trades for our clients in respect of products traded over futures exchanges under the CME Group), there has been no disruption in the services provided by R.J. O'Brien to our Group (including, but not limited to, disruptions arising from contractual disagreement, technical issues, operational disruptions, regulatory non-compliance or otherwise).

#### *ADMIS*

ADMIS Hong Kong Limited, a firm incorporated in Hong Kong since 1994, is a futures and FX brokers servicing both individual and institutional investors across the Asian Pacific region by providing executions and clearing services in respect of on global futures and options to clients. The firm is a subsidiary of Archer Daniel Midland Company, a prominent global agricultural processor produces food ingredients, animal feed ingredients, renewable fuels and naturally derived alternatives to industrial chemicals.

ADMIS is part of a Chicago-based full service Futures Commission Merchant and has been in the futures brokerage industry for more than 50 years, being a clearing member of all major U.S. futures exchanges including the CME Group and has a operating subsidiary in London, ADM Investor Services International Limited which is licensed as a dealer to execute trades of futures contracts over the LME. ADMIS is licensed with the SFC to carry out type 2 (dealing in futures contracts) regulated activity. Together, ADMIS and ADM possess the requisite licences to execute trades traded by our clients through the CME Group and LME.

In the period since our Group has engaged the services of ADMIS (for the purpose of executing trades for our clients in respect of products traded over futures exchanges under the CME Group and the LME), there has been no disruption in services provided by ADMIS to our Group (including, but not limited to, disruptions arising from contractual disagreement, technical issues, operational disruptions, regulatory non-compliance or otherwise).

*Service Provider A*

Service Provider A is a firm established in Singapore in 1975 and which provides personal and corporate investment brokerage service in Singapore and internationally. The company provides a full range of services to retail and high-net-worth individuals, family offices, corporate and institutional customers which offer services such as advising on personal investment, investment protection, financial education, and property and home financing options in areas such as stocks and shares, unit trusts, managed accounts, home and property services, insurance, difference contracts, fixed income, foreign exchange, gold/silver/commodities, education, and research.

Service Provider A is part of a larger financial group which operates across 16 countries and regions with local offices including Hong Kong and Singapore. These offices possess the requisite licences to execute trades traded by our clients through the SGX.

In the period since our Group has engaged the services of Service Provider A (for the purpose of executing trades for our clients in respect of products traded on SGX), there has been no disruption in services provided by Service Provider A to our Group as a result of any matter (including, but not limited to, disruptions arising from contractual disagreement, technical issues, operational disruptions, regulatory non-compliance or otherwise).

In terms of the amount of total expenses paid: (i) R.J. O'Brien was our second largest service provider in FY2015 and our largest service provider in FY2016 and 1H2017 respectively; and (ii) Service Provider A was our fourth largest service provider in each of FY2015, FY2016 and 1H2017 respectively.

**D. HKEx Group**

As a futures dealer, we are admitted as a HKFE Participant and are registered with the HKCC which enables us to facilitate trades for our clients in respect of products traded on the HKFE. Through the software interface on our online trading platform and servers which are connected to the HKATS, our clients are able to access real-time market information and/or place orders through our online trading platform which are then processed through DCASS. For such connectivity to the trading facilities of the HKEx Group, we pay a licence fee and this has amounted to the HKEx Group becoming our fifth largest service provider in terms of amount of total expenses paid for FY2016 and 1H2017 respectively.

**E. Internet service providers**

In order for our online trading platform to connect to the HKEx Group and overseas brokers and futures exchanges for the execution and settlement of trades and the dissemination of market information for our clients, we have engaged CITIC, a major Internet service provider in Hong Kong, to provide Internet connectivity services.

In terms of the amount of total expenses paid, CITIC was our fifth largest service provider in FY2015 and our third largest service provider in FY2016 and 1H2017. We did not experience any material service interruption or delay in the services provided by CITIC during the Track Record Period.

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To the knowledge of our Directors, none of our Directors, chief executive, or any person who, owns more than 5% of the issued share capital of the Company or any of its subsidiaries, or any of their respective associates, had any interest in any of our five largest service providers over the Track Record Period (by amount of total expenses paid).

All of our five largest service providers are Independent Third Parties.

### REGULATIONS, LICENCES AND TRADING RIGHTS

The futures market in Hong Kong is highly regulated. The principal regulatory bodies governing our business are the SFC and the HKEx Group. Our business and our staff carry out regulated activities and are subject to laws and regulations as well as rules, codes and guidelines issued by the SFC and the HKEx Group respectively.

#### Licences and trading rights

The table below sets out the relevant licences and trading rights which are held by Excalibur Global HK as at the Latest Practicable Date:

Type of licence and trading rights	Effective period
Type 1 (dealing in securities) ( <i>Note</i> )	Since 6 August 2013
Type 2 (dealing in futures contracts)	Since 1 April 2003
Type 5 (advising on futures contracts)	1 April 2003 to 14 February 2005 and since 4 October 2012
HKFE Participant (HKATS code: EXC)	Since 6 March 2000
HKCC Participant (GN DCASS code: CEXC)	Since 6 March 2000

*Note:* Licensing condition: The licensee shall not hold clients assets and shall only introduce persons to a corporation that is licensed by or registered with the SFC for type 1 regulated activity in order that they may affect dealings in securities or make offers to deal in securities.

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

The Directors have confirmed, and the legal advisers to the Company as to Hong Kong laws have advised, that Excalibur Global HK has obtained all the necessary licences, permits, certificates and participantships which are required to carry on the activities set out in this prospectus as at the Latest Practicable Date and that all staff members currently performing regulated activities for Excalibur Global HK are properly registered with the SFC as responsible officers or licensed representatives accredited to Excalibur Global HK.

Further, the Directors have confirmed that Excalibur Global HK has not experienced any difficulty in renewing any of its licences or had any of its licences revoked nor has it had any objection from the SFC or other competent authorities in respect of renewal of any of its licences or participantships.

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### OUR STAFF

#### Responsible officers

Under the SFO, a licensed corporation shall not carry out any regulated activity unless it has no less than two responsible officers who are approved by the SFC to supervise each of its regulated activities. Excalibur Global HK had at least two responsible officers to supervise each of its regulated activities during the Track Record Period, as illustrated in the table below:

Responsible officer	Regulated activity supervised by responsible officer	Period of accreditation to Excalibur HK as responsible officer
Lee Mei Chun (CE No. AAH556)	Type 1 (Dealing in securities) ( <i>Note</i> )	Since 6 August 2013
	Type 2 (Dealing in futures contracts)	1 April 2003 to 13 December 2004 and since 1 March 2005
	Type 5 (Advising on futures contracts)	1 April 2003 to 14 February 2005 and since 4 October 2012
Mr. Poon (CE No. ADY178)	Type 1 (Dealing in securities)	Since 6 August 2013
	Type 2 (Dealing in futures contracts)	Since 1 April 2003
	Type 5 (Advising on futures contracts)	1 April 2003 to 14 February 2005 and since 4 October 2012
Yu Kin Sing, Sting (CE No. ADU468)	Type 2 (Dealing in futures contracts)	Since 17 January 2012

*Note:* Licensing condition: For type 1 regulated activity, the licensee must in his capacity as a responsible officer, when actively participating in or when directly supervising the business of the activity, do so under the advice of another responsible officer who is: (a) accredited to the principal concerned of the licensee in respect of the activity; and (b) not subject to this condition.

Under the SFO, at least one of the responsible officers must be an “executive director” (defined in the SFO to mean a director who actively participates in, or is responsible for directly supervising, the business of a regulated activities for which the corporation is licensed). In this regard, Mr. Poon was an executive director approved by the SFC as a responsible officer in compliance with the SFO.

According to the public register of licensed persons and registered institutions of the SFC, none of our responsible officers have been subject to any public disciplinary actions in the last five years.

As shown above, Excalibur Global HK currently has three responsible officers in respect of its type 2 (dealing in futures contracts) regulated activity, being the key regulated activity in which it relies on for the generation of revenue, and two responsible officers in respect of its type 5 (advising on futures contracts) regulated activity, being the regulated activity in which no revenue has been generated over the Track Record period. In the event that one of the current responsible officers approved to supervise type 5 (advising on futures contracts) regulated activity of Excalibur Global HK ceases to be accredited, Mr. Yu Kin Sing Sting (Head of Sales and Marketing) possesses requisite qualifications and competence to become a responsible officer for such regulated activity. Further, to ensure business

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continuity, we nurture existing licensed representatives (who continue to accumulate experience and qualifications in regulated activities) and we may promote them to become responsible officers when they have sufficient management and industry experience.

### Licensed representatives

Under the SFO, any individual who carries on one or more regulated activities on behalf of Excalibur Global HK is required to apply for approval as a “licensed representative” accredited to it as his or her principal. To be licensed, these licensed representatives must satisfy the competence requirements under the Guidelines on Competence and must be fit and proper pursuant to criteria set out under the Fit and Proper Guidelines. As at the Latest Practicable Date, there were eight licensed representatives accredited to Excalibur Global HK (including three Staff AEs and five Self-Employed AEs), of which five of them were accredited to carry out type 1 (dealing in securities) regulated activity, eight of them were accredited to carry out type 2 (dealing in futures contracts) regulated activity and three of them were accredited to carry out type 5 (advising on futures contracts) regulated activity.

Over the Track Record Period, Excalibur Global HK had nine licensed representatives accredited to it (including three Staff AEs and five Self-Employed AEs), of which five of them were accredited to carry out type 1 (dealing in securities) regulated activity, eight of them were accredited to carry out type 2 (dealing in futures contracts) regulated activity and three of them were accredited to carry out type 5 (advising on futures contracts) regulated activity. The details of these staff and their period of accreditation with Excalibur Global HK are set out below:

Licensed representative	Regulated activity(ies) in which the licensed representative is accredited to Excalibur Global HK	Period of accreditation
<b>Self-Employed AEs</b>		
Kwok Shu Tin ( <i>Note 1</i> ) (CE No. AGN785)	Type 1 (dealing in securities)	Since 27 August 2013
	Type 2 (dealing in futures contracts)	Since 14 August 2007
	Type 5 (advising on futures contracts)	Since 19 December 2012
Kwok Chun Ki, Jacky (CE No. ATT300)	Type 1 (dealing in securities)	Since 27 August 2013
	Type 2 (dealing in futures contracts)	Since 22 October 2009
	Type 5 (advising on futures contracts)	Since 26 November 2012
Ng Wai Leung, Thomas (CE No. AAK272)	Type 2 (dealing in futures contracts)	Since 14 August 2007
Fung Long Chuen, Ronny (CE No. AVT463)	Type 2 (dealing in futures contracts)	5 October 2010 to 7 March 2017 ( <i>Note 2</i> )
Lo Ka Fai, Lawrence (CE No. ABS174)	Type 2 (dealing in futures contracts)	Since 14 August 2007

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Licensed representative	Regulated activity(ies) in which the licensed representative is accredited to Excalibur Global HK	Period of accreditation
<b>Staff AEs</b>		
Yu Kin Sing, Sting (CE No. ADU468)	Type 1 (dealing in securities)	Since 27 August 2013
	Type 2 (dealing in futures contracts)	1 April 2003 to 17 January 2012 (Note 3)
Shum Alan Koon Ho (CE No. BBV882)	Type 1 (dealing in securities)	Since 21 October 2013
	Type 2 (dealing in futures contracts)	Since 21 October 2013
	Type 5 (advising on futures contracts)	Since 21 March 2016
Chan Ying Chiu (CE No. ARO272)	Type 1 (dealing in securities)	Since 9 June 2014
	Type 2 (dealing in futures contracts)	Since 9 June 2014

*Notes:*

1. Mr. Kwok has been appointed as the Marketing Manager of our Group since February 2017. For details, please refer to the section headed “Directors, senior management and staff” of this prospectus.
2. Fung Long Chuen, Ronny has resigned from the Group on 7 March 2017.
3. Yu Kin Sing, Sting is also a responsible officer in respect of the type 2 (dealing in futures contracts) regulated activity of Excalibur Global HK since 17 January 2012.

On 7 March 2017, Mr. Fung Long Chuen, Ronny ceased to be accredited to Excalibur Global HK. Our Directors confirm that there was no disagreement between Mr. Fung Long Chuen, Ronny and our Group and he left in his own accord for his further personal development. The amount of revenue generated and contributed by Mr. Fung Long Chuen, Ronny, to our Group amounted to approximately HK\$8,000, HK\$49,000 and nil for FY2015, FY2016 and 1H2017 respectively.

The period of engagement of our AEs ranged from approximately three to ten years.

While our AEs were not required to provide undertakings to exclusively refer clients to Excalibur Global HK, none of our AEs were accredited to any other corporation licensed with the SFC to carry out relevant regulated activities in Hong Kong. Further, our AEs have entered into non-competition undertakings with Excalibur Global HK whereby they are required to refrain from engaging in activities which conflict with the interests of our Group. In addition, management reviews the remuneration of staff from time to time to ensure that the remuneration packages paid to our AEs is competitive in the market and that our AEs are sufficiently incentivised to refer client trades to us. Please refer to the section headed “Remuneration of staff” below for further details.



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For FY2015, FY2016 and 1H2017, the amounts of revenue generated by Self-Employed AEs amounted to approximately HK\$3.9 million, HK\$3.0 million and HK\$1.2 million, representing approximately 9.1%, 13.6% and 8.6% of our total revenue respectively.

According to the public register of licensed persons and registered institutions of the SFC, none of our licensed representatives had been subject to any public disciplinary actions in the last five years nor have any conditions been imposed on their SFC licences.

### Remuneration of staff

In general, our full-time staff are remunerated based on a fixed monthly salary and contributions are made to the mandatory provident fund for each staff member in accordance with the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong). Our full-time staff have entered into continuous contracts of employment with us and are entitled to all social benefits and entitlements afforded to them under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). We do not maintain any occupational retirement schemes pursuant to the Occupational Retirement Schemes Ordinance (Chapter 426 of the Laws of Hong Kong).

Our Self-Employed AEs on the other hand are remunerated on the basis of volume of trades carried out in the portfolio of Referred Accounts of clients referred to, and managed by them. The amount of commission payable to Self-Employed AEs in respect of their arranging the execution of each futures and option contract under any trade order is calculated as follows:

$$C = (A - P) \times D\%$$

where:

C = commission payable to the Self-Employed AE in respect of the futures and option contract

A = actual commission rate chargeable on the client

P = prescribed minimum brokerage rate payable to Excalibur Global HK for the relevant product, as agreed with the Self-Employed AE

D = discretionary discount rate which Excalibur Global HK may apply to the relevant trade order  
(*Note*)

*Note:* We discourage our Self-Employed AEs from charging unreasonably high brokerage fees on clients. This discretionary discount rate is intended to deter our Self-Employees from charging exorbitant fees on the clients managed by them.

As our Self-Employed AEs are not full-time employees of Excalibur Global HK and do not have continuous contracts of employment with us, they are not required to work in our offices at designated times and they are not entitled to statutory benefits and entitlements of an employee under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). However, as their remuneration is directly correlated to the volume of transactions carried out in Referred Accounts they managed, they are incentivised to sustain and grow their client base.

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Over the Track Record Period and up to the Latest Practicable Date, Mr. Kwok was the only Self-Employed AE accredited to Excalibur Global HK who was also engaged as a full-time employee (in the capacity of Marketing Manager of our Group) since February 2017. In these dual roles, Mr. Kwok was entitled to all statutory benefits and entitlements of an employee under the Employment Ordinance (Cap. 57 of the Laws of Hong Kong) as well as commissions as a Self-Employed AE (on the basis of the volume of trades carried out in the portfolio of Referred Accounts of clients referred to and managed by him).

For FY2015, FY2016 and 1H2017, commissions paid to our Self-Employed AEs amounted to HK\$0.8 million, HK\$0.6 million and HK\$0.2 million respectively, representing approximately 30.6%, 36.2% and 28.0% of our total commission expenses for the respective periods.

Our Directors believe that our remuneration packages are competitive in the market. We have maintained an amicable working environment and good relationships with our employees (including Staff AEs) and Self-Employed AEs, and do not foresee any difficulties in the recruitment and retention of staff. During the Track Record Period, there were no interruptions to our operations as a result of labour disputes or shortage of labour.

### **Recruitment of staff and related policy**

We source or recruit staff through advertisement (on websites such as [www.jobsdb.com](http://www.jobsdb.com)), network referrals and internal candidates. Our human resource department will review a candidate's academic, professional and regulatory qualifications, relevant work experience, job knowledge and technical know-how as well as other attributes relevant to the position the candidate has applied for.

We do not discriminate or have special preferences in our recruitment process based on the grounds of age (as long as legal age is attained), sex, marital status, family status, sexual orientation, disability, race, nationality or religion in any circumstances. All candidates shall be assessed fairly and equally irrespective of whether they are referrals or direct applicants.

Other than formal qualifications, we will assess a candidate (through formal interviews) based on their personal qualities, attributes and competencies, past performance, aspirations, potentials, communication and interpersonal skills, professional and personal integrity, among other criteria.

### **Our organisation structure**

Excalibur Global HK, our operating subsidiary, is led by Mr. Poon, our Managing Director whose responsibilities include, among others, supervising the overall operations of the company and developing strategies for its future growth. The head of each of the following departments report directly to Mr. Poon:

- (i) *accounting department*, which comprises two staff as at the Latest Practicable Date, and which is responsible for, among other things, monitoring cash position, preparing daily and monthly financial and FRR reports, monitoring DCASS and other global brokers' daily settlements, handling client money and preparing daily trust reconciliation;

## BUSINESS

- (ii) *settlement department*, which comprises two staff as at the Latest Practicable Date, and which is responsible for, among other things, importing daily trading records from online trading platform and checking trade detail and margin information, reviewing account opening documentation and assisting in the monitoring of irregular and suspicious trading activities;
- (iii) *operations and marketing department*, which comprises six staff as at the Latest Practicable Date, and which is responsible for, among other things, monitoring and ensuring the proper functioning of the dealing operations, monitoring margin levels on open trading positions, executing telephone trade orders, monitoring irregular and suspicious trading activities as well as carrying out marketing activities;
- (iv) *IT department*, which comprises two staff as at the Latest Practicable Date, and which is responsible for, among other things, maintaining our online trading platform, offering and making recommendations on IT solutions and responding to client enquiries regarding IT issues; and
- (v) *human resources and administration department*, which comprises four staff as at the Latest Practicable Date, and which is responsible for, among other things, managing human resources and recruitment, overseeing and managing relationships with service providers and external service providers and maintaining adequate insurance.

The following table sets out the breakdown of our staff by functionality:

General management ( <i>Note 1</i> )	2
Accounting department	2
Settlement department ( <i>Note 1</i> )	2
Operations and marketing department ( <i>Note 2</i> )	6
IT department	2
Human resource and administration department	<u>4</u>
<b>Total:</b>	<b><u><u>18</u></u></b>

*Notes:*

1. Including one licensed representative
2. Including two licensed representatives and four Staff AEs

## OUR COMPETITION

The Directors believe that our competition arises mainly from futures brokerage firms in Hong Kong, in particular, those who facilitate the trading of global futures contracts (in addition to futures contracts traded on the Futures Exchange) for clients.

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### Ranking

As at the Latest Practicable Date, there were a total of: (i) 324 licensed corporations with active SFC licences for the carrying out of type 2 (dealing in futures contracts) regulated activities in Hong Kong; and (ii) there were 182 HKFE Participants. Of these licensed corporations who are active in trading futures contracts on the Futures Exchange, we ranked 57th, 49th, 88th and 44th in terms of execution volume of HSI Futures, HSI Options (House & Client account), H-share Index Futures and H-share Index Options (House & Client account) over the second quarter of 1H2017 respectively, representing less than 0.3% of the total market share in respect of each of these products respectively of the total market share in the respective periods.

Based on the Industry Report, Excalibur Global HK had a market share of 0.24% in terms of total brokerage fees and commission income generated by brokerage firms who facilitate trades over the HKEx Group, SGX and the CME Group in FY2016. This means that there is likely a substantial number of brokerage firms (locally and overseas) who facilitate trading of global futures contracts across the major futures exchanges. We are not aware of any publicly available data in respect of brokerage fees generated by futures brokerage firms in Hong Kong who facilitate trading across global futures exchanges and, as such, we are unable to provide a ranking of Excalibur Global HK vis-à-vis other local futures brokerage firms in terms of the amount of brokerage fees generated and volume of trades executed or facilitated.

### Price competition

Since 1 April 2003, minimum brokerage rates in respect of securities and commodities trading in Hong Kong have been deregulated. Therefore, the amount of brokerage fees charged by futures brokerage firms are subject to market forces and have become susceptible to downward pressure from time to time. Under this more competitive commission regime, competition in the futures brokerage industry has been vigorous and some futures brokerage firms have adopted aggressive pricing strategies to seize opportunities to enlarge their client base and expand their market coverage. Further, it was observed that price competition on brokerage fees among futures brokerage firms has resulted in a decrease in commission rates in the overall market in recent years.

We make every effort to compete effectively with other market players by: (i) staying in touch with the market to understand clients' needs and competitors' tactics; (ii) seeking to capture new clients through the continued marketing efforts; (iii) satisfying existing clients by delivering services up to their expectations and striving for client referrals; (iv) recruiting and retaining experienced staff in order to provide quality services to clients; (v) maintaining suitable professionals and management personnel to improve our IT infrastructure; and (vi) reviewing and adopting marketing strategies and engaging technical expertise if and when necessary so as to cater for any changes in market conditions; and (vii) maintaining an efficient and lean cost structure through the employment of Self-Employed AEs.

However, we do not and do not intend to participate in price competition nor do we offer plans, such as monthly-fixed-charge plans or commission ceiling plans. Instead, we compete in terms of fostering valuable client relationships, building on our brand recognition, devoting resources on improving our services and technical competence. Further, we continue to target a niche market segment of HNWI and frequent traders who value our services based on quality, efficiency and reliability rather than pricing. To attract HNWI and frequent traders who accounted for a majority of our revenue over the Track Record Period, we aim to: (i) continue to offer personalised services (for example, to provide

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market alerts and advice based on these clients' risk and returns preferences, account values and other requests); and (ii) continue to provide a stable and efficient online trading platform. Our Directors believe that these means will enhance our pricing capacity and improve our overall competitiveness.

Our Directors believe that the Listing will: (i) have a positive impact on the brand, public awareness and visibility of our Group; (ii) increase the financial and operational transparency of our business and; (iii) increase our accountability with the public, which will enhance our competitiveness against other futures brokerages in Hong Kong.

### OUR LEASED PROPERTY

As of the Latest Practicable Date, we did not own any real property.



Our headquarters and principal place of business is leased from an Independent Third Party pursuant to a tenancy agreement whereby Excalibur Global HK is permitted to have exclusive possession to occupy and use the office premise. Details of the premise is summarised below:

Location	Tenant	Description and tenure	Usage	Term
Units 2512B–2514 on the 25th Floor of High Block (also known as Cosco Tower), Grand Millennium Plaza, No. 183, Queen's Road Central, Hong Kong	Excalibur Global HK	The property comprises two adjoining office units and a total lettable area of approximately 4,328 square feet. This property is leased to Excalibur Global HK pursuant to a lease	Office	Three years from 17 September 2016 to 16 September 2019


### OUR INTELLECTUAL PROPERTY

#### Trade marks

The Group has registered the following trademarks with the Trade Marks Registry:

Trademark	Class number	Name of applicant/ owner	Trade mark number	Expiry date
1. 	36	Excalibur Global HK	303796156	2 June 2026
				

The Group has registered the following trademark with the trademark office of the PRC:

Trademark	Class number	Name of applicant/ owner	Trade mark number	Expiry date
1. 	36	Excalibur Global HK	21441887	20 November 2027

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### Domain names

As at the Latest Practicable Date, the Group was the registered owner of the following domain name which, as considered by our Directors, is material to the business of our Group.

Domain name	Registration date	Expiry date
www.excalibur.com.hk	25 October 2000	1 September 2018

Except for the abovementioned trademarks and domain name, our Group does not own any other intellectual property rights.

Our Directors confirmed that as at the Latest Practicable Date, we had not infringed, and have not been alleged to have infringed, any intellectual property rights owned by third parties and we had not been subject to any material intellectual property claims against us or been involved in any material intellectual property dispute.

### OUR INSURANCE COVERAGE

#### Insurance requirements applicable to our business

The Securities and Futures (Insurance) Rules (Chapter 571AI of the Laws of Hong Kong) (“**SFC Insurance Rules**”) sets out insurance requirements applicable to a licensed corporation which is a Futures Exchange Participant and which holds clients’ assets as part of its business activities. Section 4 of the SFC Insurance Rules provides that such a licensed corporation shall take out and maintain insurance in relation to relevant risks (including among other things, risk of loss arising out of loss of client assets that are received or held by the licensed corporation attributable to fraudulent or dishonest conduct by employees, robbery or theft of client assets held in custody, fraudulent use of information or instructions relating to client assets) for an insured amount of not less than HK\$15 million during that period of insurance under the master policy of insurance approved by the SFC.

Under the Employee’s Compensation Ordinance, an employer is liable to pay compensation to an employee who suffers personal injury arising out of, and in the course of employment, or to eligible family members of an employee who is killed in an accident at work. An employer is required to maintain valid employees’ compensation insurance policies to cover their liabilities both under the ordinance and at common law.

#### Insurance obtained and maintained by us

Over the Track Record Period and up to the Latest Practicable Date, Excalibur Global HK has maintained the following insurance with reputable insurance providers:

- (i) insurance covering fidelity and crime risks (with a policy limit of HK\$15 million) under the master policy of insurance approved by the SFC in compliance with the requirements of the SFC Insurance Rules. This insurance however does not cover errors and omissions, professional indemnity claims, or claims arising from pure unauthorised or rogue trading where there is no fraudulent intent;

## **BUSINESS**

- (ii) employee compensation insurance for each of its staff from time to time in accordance with the requirements of the Employee's Compensation Ordinance; and
- (iii) office insurance covering office contents (including computer and electronic equipment), increased cost of working due to business interruptions, loss of money and public liability.

For the FY2015, FY2016 and 1H2017, the aggregate premium of all of our insurance policies amounted to approximately HK\$57,000, HK\$61,000 and HK\$29,000 respectively.

We believe that our Group has taken out sufficient insurance policies for our operations and such customary policies as necessary for the industry in which we operate. During the Track Record Period, we have not made any material insurance claims nor has any insurance claim been made against any member of our Group.

### **ENVIRONMENTAL, HEALTH AND SAFETY MATTERS**

We believe that the nature of our business does not involve substantial risks involving any environmental, health and safety matters. During the Track Record Period, we complied in all material respects with all environmental, health and work safety laws and regulations applicable to us.

### **OUR CLIENT MANAGEMENT**

#### **Our account opening procedure**

As a corporation licensed with the SFC, Excalibur Global HK is required to comply with the requirements of the Code of Conduct and other requirements of the SFC when opening futures account(s) for a client. To comply with these requirements:

- (i) we take reasonable steps including (a) verifying the identity of the customer through examination of identity documents; (b) requiring the identification documentation provided by the client to be dated and signed by the client (and countersigned by the applicable certifying person where non-face-to-face approach is adopted); (c) recording the location where the account opening procedure has taken place; (d) having the completion of the account opening form attended and witnessed by an AE (or applicable certifying person where non-face-to-face approach is adopted); (e) reviewing all completed account opening documentation by an AE; (f) contacting the new client by telephone to explain the risk disclosure statement to them following confirmation of their name and identity document details; and (g) sending the login details to the trading account by mail to the address provided by the client to verify the authenticity of the address proof provided.

These steps establish the true and full identity of each of our clients (or the person or entity ultimately responsible for the originating trade instructions, and the person(s) and entity(ies) that stands to gain the commercial or economic benefit and/or bear the commercial or economic risk of transactions) and their financial situation, investment experience and knowledge in trading futures and options products and investment objectives prior to opening a futures account for them. Our AEs will follow a checklist to ensure that all required documents are obtained prior to opening an account;

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- (ii) all documentation will be submitted to our settlement department who will perform a due diligence review (including online background check) on the potential client and determine if any additional documentation may be required;
- (iii) during the account opening process for a client:
  - (a) a risk assessment is carried out based on our internal guidelines relating to anti-money laundering and counter-terrorists financing; and
  - (b) a credit assessment is carried out (based on factors such as net assets, source of income and amount) and each client will be designated a trading/position limit or be made subject to other conditions based on their credit rating; such trading/position limit will be monitored by our dealing staff during trading hours and clients will not be able to execute trades in excess of their trading/position limit except with the approval of the Managing Director of Excalibur Global HK;
- (iv) each of our clients is required to enter into a written client agreement (complying with the content requirements of the Code of Conduct) and complete account opening documentation with us before services are provided to them;
- (v) the execution of the client agreement and account opening documentation by our client and the sighting and certification of their identity documents (such as identity cards, passports, address proofs and corporate documents) are normally carried out in the presence of our AEs in Hong Kong or in the PRC. In cases where a face-to-face meeting is not feasible for our PRC clients, we may arrange the execution of the client agreement and account opening documentation by our client and the sighting and certification of their identity documents to be carried out in the presence of licensed or registered persons who are accredited to our affiliated licensed entities in the PRC. Alternatively, we also accept certification by other SFC licensed persons, a Justice of the Peace, a lawyer or notary public or a certified public accountant and any such certification will be checked by the compliance officer of Excalibur Global HK;
- (vi) our AEs will explain the terms and conditions stated in the client agreement to the client as well as read to them the risk disclosure statements prescribed under the Code of Conduct; the client will be advised to obtain independent advice in respect of any uncertainty they have prior to opening the account. For potential clients over the age of 65, we will arrange two AEs to be present during the account opening process to ensure the client fully understands the terms and conditions of the agreement and risks relating to trading;
- (vii) where a potential client is not experienced in futures or options trading, our AEs will explain the nature and risks associated with the trading of products we offer and where appropriate, warn the client and/or provide appropriate advice as to the suitability of relevant products;
- (viii) all account documentation and information provided by a client will be reviewed and approved by the head of the settlement department and the Responsible Officer of Excalibur Global HK to complete the account opening procedure; based on the financial ability of a potential client, further conditions on trading may be imposed on a particular client which will be recorded by our dealing staff at the operations department;

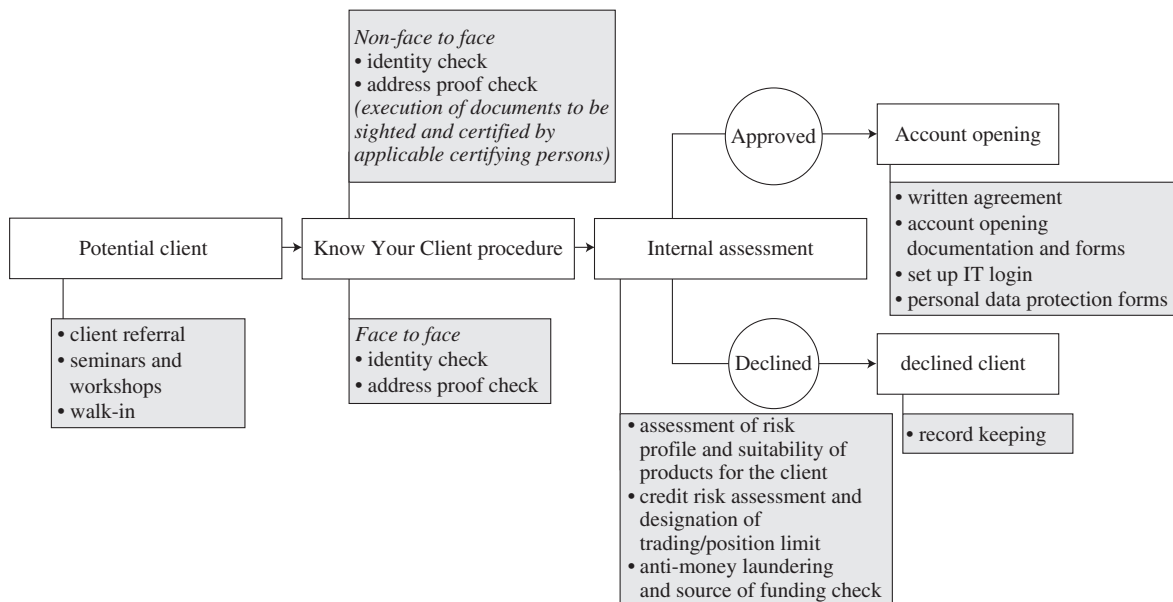


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- (ix) where the account opening is approved, our settlement department will enter all client information into our system, allot the client with an account number, create an account on our online trading platform with an assigned login and initial password and notify the operations department who will be responsible for ensuring the account is fully functional. The client will then be informed in writing that the account is operational and be provided with detailed procedures to download and install software or mobile application for accessing our online trading platform together with relevant account login details and initial password; and
- (x) if a potential client's application is declined, the relevant applicant will be informed and the relevant client agreement, account opening documentation and information will be kept for record keeping purposes.

We keep all client records and information, including copies of client agreement and account opening documentation, securely at our premises in accordance with the requirements of the Securities and Futures (Keeping of Records) Rules (Chapter 571O of the Laws of Hong Kong). We require our clients to provide updated supporting documents when there are changes of any of their personal particulars supplied to us. All account documentation and information are approved by one of our responsible officers.

The following flowchart illustrates, in simplified terms, the account opening procedure for a client at Excalibur Global HK:



### Closing of inactive accounts

In order to manage our resources efficiently, our settlement staff will review the status of inactive accounts (i.e. accounts which have not recorded any open and/or close position(s) of futures contract transaction(s) in the previous twelve months) from time to time. It is our policy to suspend inactive accounts (so that resources may be directed away from servicing such accounts) until they are reactivated by the relevant clients. Where we intend to suspend a client account, staff at our settlement

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department will notify the relevant client of the suspension of their inactive account(s) as well as the right of Excalibur Global HK to deduct monthly maintenance fee from the balance of their account(s), if any.

Where a client has not indicated that it intends to carry on any trading in the near future and there is no longer any credit in his client account(s), our staff at the settlement department may determine to close the relevant inactive account(s) upon receipt of approval from the Managing Director of Excalibur Global HK. The closing of inactive accounts will reduce the administrative expenses we incur associated with maintaining these accounts (which do not generate income for us) and avoid unnecessary burden on our IT data storage, servers and bandwidth capacity for trading.

The table below sets out the number of accounts which have been opened and closed over the Track Record Period:

	FY2015	FY2016	1H2017
Number of new accounts opened	757	608	180
Number of accounts closed	2,807	67	34
	<i>(Note)</i>		
<i>Net number of accounts (closed)/opened</i>	<i>(2,050)</i>	<i>541</i>	<i>146</i>

*Note:* Excalibur Global HK conducted a special review of inactive accounts in FY2015 leading to a relative large number of inactive accounts being closed during that period.

### Client feedback management

Due to the service nature of our business, we consider the receiving of, and giving consideration to, client feedback be critical for the improvement of our services. We are also required to comply with requirements contained in the Code of Conduct in terms of complaints handling.

A complaints officer of Excalibur Global HK (“**complaints officer**”) is assigned to record, handle and report all complaints received from our clients. As at the Latest Practicable Date, the designated complaints officer is Mr. Poon and his contact details are set out in the public register of licensed persons and registered institutions which can be accessed on the SFC website. Further, a 24 hours service hotline is set up to provide assistance to our clients, including receiving and recording complaints. The hotline number is displayed on our website at <http://www.excalibur.com.hk>.

When opening a client account with us, the client is informed that any complaints or feedback can be mailed and/or faxed to us. Following receipt of unfavourable feedback or a complaint from our client either in person by our front-line staff members or via correspondence received by electronic means (such as facsimile or email) or delivered to our office, the matter will be referred to the complaints officer, and the following procedure (as set out in our complaints handling policy) will be carried out:

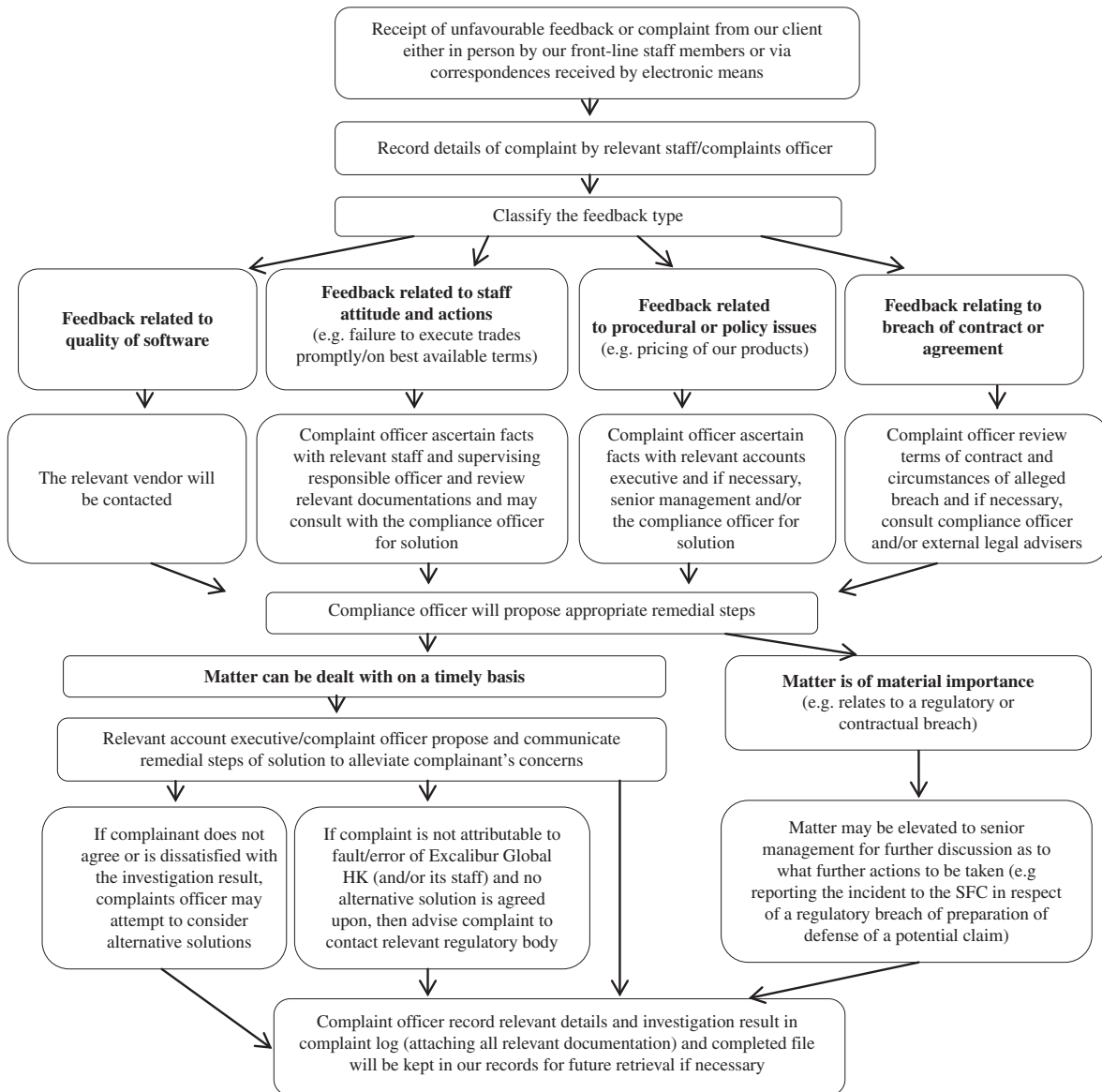
- (i) **recording the complaint:** the complaint will be recorded by the relevant staff member (or, if the complaint is directed at the relevant staff, by the complaints officer) in our template complaint log which requires the completion of details including identity of the complainant, contact details, nature and details of the incident, and relevant involved parties;

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- (ii) **review of complaint:** the complaints officer will review the complaints log and carry out an investigation to understand the cause of the complaint with a view of identifying a possible solution. In particular:
- (a) if the complaint relates to the quality of the software provided by our vendors, we will contact the relevant vendor in order to address the complaint;
  - (b) if the complaint relates to staff attitude, failure to execute trades promptly or on best available terms, failure to exercise due skill, care and diligence, failure to provide proper advice and/or related issues, the complaints officer will ascertain facts with the relevant staff and the relevant supervising responsible officer as well as review relevant documents (such as trading records) and may consult with the compliance officer of Excalibur Global HK where appropriate;
  - (c) if the complaint relates to procedural or policy issues, such as the pricing of our products or exercise of discretion in liquidating client positions, the complaints officer will ascertain facts with the relevant accounts executive and if necessary, senior management and/or the compliance officer of Excalibur Global HK;
  - (d) if the complaint relates to a breach of contract or agreement, then the complaints officer will review the terms of the contract and circumstances of the alleged breach and if necessary, consult with the compliance officer of Excalibur Global HK and/or external legal advisers;
- (iii) **taking of remedial actions:** the complaints officer will propose appropriate remedial steps to be taken following investigation and consultation with relevant staff. Where:
- (a) the matter can be dealt with the client on a timely basis, the relevant AE(s) (or if the complaint is directed at the relevant accounts executive, the complaints officer) will propose and communicate remedial steps or solutions that can be offered to the complainant to alleviate their complaint or concerns.
- Where the complainant does not agree or is dissatisfied with the investigation result, the complaints officer may attempt to consider alternative solutions (with discussion with senior management and/or the compliance officer if necessary). Where it can be ascertained that the matter does not involve any fault of Excalibur Global HK or its staff and we are not prepared to offer alternative solutions, the complainant will be advised to contact the relevant regulatory bodies such as the Financial Dispute Resolution Centre or lodge a complaint with the SFC directly;
- (b) the matter is of material importance (for example, relate to a regulatory or contractual breach), the matter may be elevated to senior management for further discussion as to what further actions are to be taken (for example, reporting the incident to the SFC in respect of a regulatory breach or preparation of defense of a potential claim);
- (iv) **updating the complaint log:** the complaints officer will record all relevant details and investigation result in the complaint log (attaching all relevant documentation) and the complete file will be kept in our records for future retrieval if necessary.

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The following table illustrates our complaints handling procedures for your reference:



During the Track Record Period, we did not receive any unfavourable feedback in the form of a complaint from clients with the SFC, the Financial Dispute Resolution Centre or the Hong Kong Consumer Council. Our Directors confirm that our Group did not receive any pending or threatened claims or proceedings in respect of any complaint during the Track Record Period up to the Latest Practicable Date.

## LITIGATION

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries was a party to any litigation or claims of material importance and no litigation or claims of material importance were known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

## **RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES**

### **Risk management objectives**

We recognise the need for risk management in our strategic and operational planning, day-to-day management and decision making process and are committed to managing and minimising risks by identifying, analysing, evaluating and mitigating risk exposure that may impact the continued efficiency and effectiveness of our operations or prevent it from achieving its business objectives.

Our risk management objectives is to identify and effectively manage risks which our Group may face from time to time and to establish strong review and rectification processes and contingency procedures in order to prevent material financial and reputational losses and to ensure our ongoing business continuity and performance.

### **Our principal risks**

The risks which are identified by our Group are broadly categorised into the following risks, all of which may arise from time to time in connection with the operations of our Group:

- (i) **regulatory risk:** as Excalibur Global HK is a licensed corporation registered with the SFC, it is required to comply with ongoing obligations prescribed by the SFO, its subsidiary legislations as well as codes and guidelines published by the SFC from time to time (including, without limitation, the Code of Conduct, the Internal Control Guidelines, the FRR and rules relating to handling of client monies and securities and maintenance of proper records) and to satisfy the SFC that it continues to be fit and proper under the requirements of the Fit and Proper Guidelines. The failure to comply with the relevant SFC laws and regulations may expose us and responsible officers and licensed representatives accredited to us to potential fines, penalties, proceedings and may potentially lead to the suspension or revocation of our SFC licences. In addition to SFC laws, regulations, codes and guidelines, we are also required to comply with laws and regulations of Hong Kong and, in respect of our marketing activities, those of the PRC;
- (ii) **operational risk:** we are subject to operational risks during the course of our business which may result from such matters as failure, disruption to or inadequacies of our online trading platform and/or IT system, failure of our overseas brokers to provide required trading services, unidentified limit excesses, unauthorised or fraudulent trading, failure in keeping requisite books and records, inexperienced personnel or lack of understanding of internal controls. The failure to manage these risks may potentially lead to a financial loss to our clients or cause us to be in breach of SFC laws, regulations, codes and/or guidelines;
- (iii) **liquidity risk:** Excalibur Global HK is required at all times to maintain liquid capital (being the amount which our liquid assets exceeds our ranking liabilities, taking into adjustments to cater for market risks and contingency) which is not less than specified amounts according to the FRR. Excalibur Global HK also has an obligation to notify the SFC in certain circumstances where there has been material change to the liquid capital position and to prepare periodic financial returns for submission to the SFC. Excalibur Global HK is required to immediately cease its licensed operations when it fails to meet the FRR requirements and the SFC may suspend its licence. In addition, the failure to maintain sufficient liquidity may

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result in (i) the instigation of legal proceedings by clients if they are unable to withdraw funds on time; and (ii) possible suspension of trading from clearing houses and/or overseas brokers if we are unable to settle their margin calls on time, in particular, during times of adverse market conditions; and

- (iv) **trading risk:** our AEs review the balance and margin status of our client accounts on a daily basis; where a client fails to maintain the maintenance margin in respect of futures contracts which are held by him, our AEs will contact the relevant client to cover the shortfall, but where the client fails to meet the shortfall within the necessary timeframe, our AEs will exercise discretion as to whether or not to liquidate the relevant futures contract. As futures contracts are leveraged products, the loss which a client may suffer may exceed the money deposited by the client as initial margin and Excalibur Global HK may be exposed to risks from (i) deficits in the client account if it does not liquidate the futures contracts in time; or (ii) the failure or refusal of the client to pay for deficits they are liable for in their client account. This may also affect our liquid capital in meeting FRR requirements.

### **Risk management policies and measures**

We have established a set of risk management policies and measures to identify, evaluate and manage risks arising from our operations. The major features of our risk management policies and measures include the following:

- (i) an established risk management team comprising responsible officers, compliance officers and senior management of Excalibur Global HK who has overall responsibility in managing the risks of our operations and devising effective risk management structures, functions, workflows and policies to manage and/or prevent identified risks;
- (ii) on a quarterly basis, the risk management team will carry out a review of identified risks as well as make an assessment (involving tests) of existing internal controls and measures in place to manage and/or mitigate those risks; a report summarising deficiencies together with recommendations and proposed solutions will be prepared and submitted to the audit committee of the Board for further review and discussion;
- (iii) on an annual basis, all staff members are required to identify material risks which may impact our operations and these will be summarised and submitted to the risk management team for evaluation; a risk management plan with details of proposed solutions to rectify inadequacies will then be developed for implementation and submission to the audit committee of the Board for approval;
- (iv) prior to the approval of the annual risk management plan, the audit committee of the Board shall ensure that the review of the risk management team has covered all material controls, including financial, operational and compliance controls as well as evaluated the adequacy of resources, staff qualifications and experience, training programmes and that sufficient budget is provided to ensure the effectiveness of the internal controls and the financing reporting functions; the audit committee of the Board should also consider, among other things, changes in the nature of identified significant risks since the last annual review, quality of the

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risk management team's ongoing monitoring of risks and internal control systems, impact of identified inadequacies in our internal controls and sufficiency of proposed rectification solutions;

- (v) upon receipt of the quarterly report or annual risk management plan prepared by the risk management team, the audit committee of the Board may if it considers necessary carry out its own investigations, testing and reviewing relevant findings to determine whether further action needs to be taken;
- (vi) a risk-monitoring mechanism is in place to supervise, monitor, identify and report irregularities and non-compliance incidents;
- (vii) the responsible officers and compliance officers will monitor our staff's compliance with internal rules and manuals to ensure that we comply with the relevant regulatory requirements and applicable laws, so as to reduce our risks. They will also ensure that our staff are provided with adequate training in respect of compliance matters and risk management;
- (viii) on an annual basis, the compliance officers will prepare a compliance report containing details of any regulatory non-compliance as well as potential identified regulatory risks to the risk management team and follow-up actions, as appropriate, will be included in the risk management plan; and
- (ix) a compliance officer is designated for facilitating and coordinating our risk management process.

Our Directors have confirmed that during the Track Record Period, we did not experience any material operational failure and they believe that our risk management system is sufficient and effective.

### **Internal control procedures**

As Excalibur Global HK is a licensed corporation registered with the SFC, it is required to comply with ongoing obligations prescribed by the SFO, its subsidiary legislations as well as codes and guidelines published by the SFC from time to time. In particular: (i) the Code of Conduct requires that a licensed corporation should have internal control procedures and financial and operational capabilities which can be reasonably expected to protect its operations, clients and other licensed or registered persons from financial loss arising from theft, fraud and other dishonest acts, professional misconduct or omission; and (ii) the Internal Control Guidelines sets out the manner in which licensed corporations should structure, manage and operate the regulated activities for which they are licensed and in particular, the existence of satisfactory internal control and internal management system and states that the failure to substantially follow the guidance tends to reflect adversely on the licensed corporation's fitness and properness to consider to be licensed.

In order to ensure that Excalibur Global HK is compliant with these requirements in relation to internal controls and management systems, we (i) have adopted certain internal controls and procedures (including operational controls, controls on dealing practices as well as internal controls to manage risks) which are implemented as part of our operations; and (ii) regularly review regulatory updates and enforcement news from the SFC.

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The compliance officers of Excalibur Global HK play an important role in establishing our internal control policies and procedures and their duties include, without limitation:

- (i) overseeing the compliance and internal control matters of our Group, including formulating internal control policies, advising on and monitoring our implementation of and compliance with these policies and reporting to the Board in respect of any non-compliance issues;
- (ii) monitoring our staff's compliance with internal rules and manuals (including the compliance manual) to ensure that we comply with the relevant regulatory requirements and applicable laws;
- (iii) updating our internal control policies and manuals in light of developments in relevant laws and regulations relating to the carrying out of our regulated activities;
- (iv) evaluating the efficiency of our internal control system with our responsible officers and operational teams and making recommendations to the audit committee of the Board for potential improvements;
- (v) reviewing and monitoring liquidity and working capital to ensure compliance with FRR requirements;
- (vi) handling and following up on suspicious transactions in client accounts;
- (vii) handling and following up on client complaints involving regulatory risks; and
- (viii) analysing and reviewing relevant records on related parties and staff accounts.

All our operational staff are responsible for implementing our internal control measures based on our established policies and procedures and our responsible officers supervise their day-to-day activities to ensure that these policies and procedures are followed.

All our staff are provided with written operational and procedural manuals covering guidelines that must be followed by each of them in their course of work. These manuals regard the Internal Control Guidelines and are prepared to ensure that: (i) our business is conducted in an orderly, efficient and compliant manner; (ii) the assets of our Group and our clients are secured; (iii) proper records are maintained and financial information is properly recorded; and (iv) the risk of potential fraud is detected and prevented.



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Below are some key internal control procedures which are outlined in our operational and procedural manuals:

### *1. Controls for managing regulatory risks*

#### *(i) Dealing on behalf of clients*

While most of our clients effect trades through our online trading platform, some of our clients may place orders through our AEs. Our AEs are required to take all reasonable steps in handling clients' orders promptly and fairly according to the clients' instructions or at the best available terms. Orders of clients should have priority over orders in the AEs' own trading account or trading account of another AE.

Our AEs are required to immediately record instructions of all client orders with sufficient particulars. A full audit trail for every order placed on behalf of a client and any amendments thereto are fully maintained.

#### *(ii) Phone trading*

When order instructions are received from our clients through the telephone, our AEs are required to record order instructions by use of our telephone recording system if they are in the office.

#### *(iii) Trading errors*

Trading errors may be due to system or human error. It is our policy that any trade errors which are detected by our AEs must be immediately reported to the supervising responsible officer present during the relevant time. The AE must prepare an error report with details of the transaction, the reason for the trade error which must be submitted to the responsible officer for review and follow-up action, if any.

#### *(iv) Staff dealings*

Pursuant to paragraph 12.2 of the Code of Conduct, we have a written policy in respect of the trading of futures and options by our employees and AEs through their own accounts. Under such policy:

- (a) upon joining Excalibur Global HK, our staff are required to report to the head of operations in respect of all relevant accounts (including accounts of their spouse, children and accounts in which they hold any beneficial interest);
- (b) our staff are allowed to perform futures and options trading through their trading accounts opened with Excalibur Global HK provided that the prior approval of the head of operations has been obtained for each of the transactions. In addition, the relevant trades must be executed by a designated broker nominated by the head of operations (or if the relevant staff member is the designated broker, executed by the head of operations himself);

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- (c) our staff are required to obtain the prior written approval of the Managing Director of Excalibur Global HK for opening and maintaining trading accounts at other brokerage firms and all trades executed through those brokerage firms must be recorded;
- (d) our staff are prohibited from engaging in front running, including personal dealings in anticipation of research recommendations of Excalibur Global HK, major client orders, liquidation orders, and in all other cases where the employee is in receipt of advance information generally available to other investors;
- (e) transactions of our staff are monitored by the senior management of Excalibur Global HK who are not interested in the relevant transactions and who maintain our procedures to detect irregularities and to ensure that the handling of the relevant transactions are not prejudicial to the interests of any client of Excalibur Global HK; and
- (f) dealings for a client should always have priority over dealings effected through the staff account or related account, particularly in terms of the most favourable dealt price.

Trading which is carried out through the Self-Employed AEs' sub-accounts which are used for training purposes are not subject to the above staff dealing policies. However, (i) the Self-Employed AEs must ensure that trades involving monetary amounts over a prescribed limit must be reported to the head of operations; and (ii) the relevant Self-Employed AEs and their supervising responsible officer would be responsible for detecting suspicious trading activities through the relevant sub-accounts.

*(v) Handling of complaints from clients*

Please refer to the paragraph headed "Our client management — Client feedback management" in this section of the prospectus for details regarding our complaints handling procedures.

*(vi) Segregation of duties and functions*

Our settlement and accounting functions are separate from our operations, marketing and dealing functions. We have a clear and independent reporting line for the staff of each of the settlement, accounting, marketing dealing and personnel functions. Our compliance officers will carry out regular checks and reviews on documents and activities of other staff of Excalibur Global HK.

*(vii) Segregation of client money and securities*

Our staff are required to strictly observe the regulatory requirements under the Securities and Futures (Client Money) Rules (Chapter 571I of the Laws of Hong Kong) and the Securities and Futures (Client Securities) Rules (Chapter 571H of the Laws of Hong Kong) which requires all clients money and securities to be placed in segregated accounts

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established and maintained with authorised financial institutions and approved by the SFC. Compliance with such requirements is regularly monitored by our responsible officers, compliance officers as well as our financial staff.

### *(viii) Anti-money laundering and counter-terrorist financing*

Our staff are required to comply with the anti-money laundering guidelines adopted by us which are designed to detect and prevent money laundering and counter-terrorist financing activities. These guidelines involve:

- (a) *client due diligence*: to satisfy our due diligence requirements, our AEs are required to identify and verify the identities of beneficial owners of a client account with reference to data and/or information provided by reliable and independent sources. For individual clients, our AEs will request identification documents to verify their name, date of birth and residential address. For corporate clients, we will request for documents to verify their incorporation and existence, the authority of persons instructing us to open the account, as well as identity of directors and shareholders. For clients who reside in the PRC, we rely on persons accredited to licensed or registered entities affiliated to our Group to sight and certify identification documents.

We will screen the account for any politically exposed person (“**PEP**”) by undertaking a search on a database subscribed by us. It is our policy to require our staff to take reasonable steps to determine whether a client is a senior government official or political figure or an immediate family member. We generally do not permit the opening of client accounts by persons from countries listed on the Financial Action Task Force (“**FATF**”) website: <http://www.fatf.gafi.org>.

- (b) *ongoing monitoring*: our responsible officers, compliance officers and AEs periodically review documents, data and information relating to our clients. They also monitor the activities of our clients and identify those transactions that are complex, large or unusual; and
- (c) *suspicious activity reporting and recording*: our AEs are required to notify our responsible officers and compliance officers of any suspicious activity; where after an assessment such activities are indeed suspicious, a suspicious activity report will need to be prepared and submitted to the Joint Financial Intelligence Unit of Hong Kong as soon as possible (in any case no longer than 30 days from the date of detection of the suspicious activity). All related information will be recorded and all relevant documentation properly kept so that we are prepared to assist in any potential investigations that may be launched by government agencies.

### *(ix) Handling of physical cash*

Our Company ensures that all cash held physically are properly secured so as to prevent its avoid loss or misuse. Our accounting clerk will maintain our cash book to keep track of all cash movements for cash in all currencies. The cash held by our accounting clerk (which

must not at any time exceed HK\$50,000 or equivalent in foreign currencies) will be stored in our safe. Our accounting manager will inspect the cash book at the end of every month and perform a cash count to verify the correctness of the cash position.

**2. Controls for managing operational risks**

*(i) Responsible officers*

Under section 125 of the SFO, we, as a licensed corporation, are required to appoint at least two responsible officers for each type of regulated activities, at least one of whom must be an executive director who: (i) actively participates in; or (ii) is responsible for directly supervising the business of a regulated activity for which the corporation is licensed.

The responsible officers of Excalibur Global HK are either Directors or senior management of our Group and they are mainly responsible for: (i) supervising daily futures operations of our staff; (ii) formulating, reviewing and updating our operations procedures to ensure compliance with regulatory requirements; (iii) reviewing and improving the current workflow and operation procedures; and (iv) monitoring our Company's FRR requirement.

*(ii) IT related controls and contingency plans*

We have in place an IT security policy and rules to safeguard the security and integrity of our online trading system and IT infrastructure. Under such policy and rules:

- (a) access controls are in place so that the use of our IT system by users (including staff, clients and independent software vendors and back-office staff) are restricted based on authorisation levels prescribed by senior management; password policies and standards are formalised to facilitate user authentication and access control;
- (b) our computer system and information processing facilities are protected by firewalls and anti-virus software to prevent and detect any potential threats by computer viruses and other malicious software;
- (c) our IT staff are responsible for closely monitoring the stability and performance of our online trading system and IT infrastructure as well as any intrusions or access by unauthorised persons; they will liaise with external service providers to rectify any irregularities detected over our online trading platform or IT system if such irregularities are attributable to services provided by them. Further, our IT staff will monitor the usage of our bandwidth capacity in our network connections regularly to ensure that it would be sufficient to meet the trading demands of our clients; generally we set an adequate buffer in our bandwidth capacity to cater for unexpected high volume of trading demand resulting from market volatility;
- (d) any software or hardware changes and upgrades in our online trading system and IT infrastructure will be thoroughly tested in our user acceptance system during market rehearsal sessions and/or before being used for actual client trading; and

- (e) we have devised IT related controls and contingency plans with backup procedures in place to ensure continuity of our operations without disruptions due to breakdown of our IT system. In particular, we maintain a back-up data storage centre and all trading data and records processed through our online trading platform are simultaneously replicated in our main server storage as well as the backup data storage. All trading records of our clients can be retrieved from the backup data storage centre promptly in the event of any disruptions to our main server storage. In the event that our software vendor is out of business, our IT staff will coordinate with alternative software vendors and retrieve all trading data physically for migration into the new platform (which is estimated to take up to five working days); during such migration period, all trade orders may need to be placed manually through the HKATS CLICK workstation at our office by our AEs and recorded in writing.

*(iii) Controls relating to overseas brokers*

Prior to engaging over overseas brokers, we ensure that they are registered and regulated by the relevant overseas futures exchange and we would: (i) review their financial status and audited accounts on a periodic basis; and (ii) review the public websites of overseas regulators to check for incidents of any non-compliance which may affect their operations, to ensure that they are of good standing.

Further, to avoid any potential disruption to our business operations arising from the failure or disruption of overseas brokers' services to us, we have a preference for overseas brokers who are capable of trading global futures in overseas futures exchanges other than in respect of those for products currently traded through them by our clients (i.e. we are able to direct trades through these overseas brokers if one of our other overseas brokers fail). Further, we maintain a list of overseas brokers who are capable of providing relevant trading services relating to global futures products.

*(iv) Business contingency plan*

To cope with various emergency situations, we have devised a business contingency plan to respond to unexpected disruptions to our business operations or use of our office premises due to natural disasters, fire, power outages and landlord disputes. Prior to relocation to a new office premise, our staff may be required to work from a temporary office location where they will effect trades manually through our online trading systems and record trades in writing. All relevant stakeholders including our clients, vendors and the SFC will be notified on a prompt basis regarding relocation and the disaster and recovery efforts.

**3. Controls relating to liquidity and trading risks**

*(i) Managing liquidity risks*

Excalibur Global HK maintains sufficient liquidity to pre-empt a variety of adverse situations (including circumstances that lead to a large number of clients requesting to withdraw amounts standing to their accounts or high volumes of margin calls by overseas

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brokers and/or clearing members during adverse market conditions). In managing our liquidity levels as well as to ensure our compliance with FRR requirements, the following measures and procedures are adopted:

- (a) on a daily basis, our accounting department will (I) monitor our cash position by reviewing our cash balances through online banking systems provided by financial institutions or trading systems provided by overseas brokers; and (II) calculate the liquid capital computation which is reviewed by our responsible officers to ensure that we are able to comply with FRR requirements;
- (b) our accounts department is responsible for the preparation of financial returns and computation of liquid capital in accordance with the requirements under the FRR. In particular, monthly financial returns prepared by the accounts department are submitted to our responsible officers for review and approval prior to the submission to the SFC; where a shortfall of cash position is anticipated, the head of accounting will be instructed to look for financing options;
- (c) an annual cash flow forecast containing details of major expected cash receipts and payments will be prepared by the accounting department and reviewed by our responsible officers and the Board; such cash flow forecast will provide an assessment as to the liquidity needs of Excalibur Global HK for the coming 12 months based on the expected market conditions and capital expenditures of our operations, fluctuation on expenses;
- (d) funds placed with overseas brokers are generally less liquid and therefore we have implemented a mechanism (involving as analysis of expected trading volumes) for establishing a threshold amount of funds to be placed with overseas brokers at the beginning of each month;
- (e) funds to and from the HKCC are transacted through saving or current accounts which we have established with several authorised financial institutions in Hong Kong to avoid concentration risks; instructions for transfer of funds are made within the trading day based on client orders and margin requirements (on the basis of open position of contracts held on the prior trading day); and
- (f) during volatile markets where urgent margin call may be required by the overseas brokers or the HKCC, our accounting department will closely monitor our available balance deposited with relevant parties to ensure the required margin is adequate for open positions of the contracts held.

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### *(ii) Managing trading risks*

In order to avoid excessive risk exposure of Excalibur Global HK to losses arising from deficits in client accounts (arising from losses in client trades in excess of amounts deposited in their client accounts as initial margin), the following measures and procedures are adopted:

- (i) large open positions are monitored on an ongoing basis, in particular where such positions approach the reportable threshold set by the relevant futures exchanges; a list of clients with large open positions exceeding 80% the reportable level are prepared after market close and such list will be presented to the supervising responsible officer; dealings of large open positions that have reached reportable levels will be temporarily suspended until the client liquidates some open positions;
- (ii) credits are granted to clients to cover deficits in their client accounts in limited circumstances (for example, when an existing liquidating order to cover the deficit is present but not processed) and the amount of credit which may be granted must not exceed the credit limit assigned to the client unless valid reasons are given and the approval of a responsible officer is obtained; credit granted which exceeds HK\$500,000 in any trading day must be reported to the Managing Director of Excalibur Global HK;
- (iii) credit, trading and position limits are designated to each client based on their background and financial health; these limits are reviewed by our risk management team on a periodic basis and our AEs must ensure that such limits are not exceeded without the request of the relevant client and approval of a responsible officer;
- (iv) all AEs and responsible officers have the responsibility to ensure that margin levels for all clients are within reasonable levels; they carry out the following procedures (with the assistance of our computer systems):
  - (I) market open procedures: check margin list for clients with margin levels below 50% and prepare to liquidate positions on market open if these clients have not already been called or is beyond the threshold of the expected response and condition on the relevant intra-day margin call report (positions with greatest floating loss are prioritised for liquidation) and the relevant clients are notified immediately; for clients with margin levels below 80 percent, our dealing team will examine the circumstances on a case-to-case basis on the basis of client instructions and discussions and positions may be liquidated as appropriate;
  - (II) market close procedures: review intra-day margin call report for clients with margin levels lower than required maintenance level and follow up with relevant clients for instructions as well as remind them of possibility that their positions may be liquidated; if a response cannot be obtained, then relevant positions should be liquidated before market close; a final check is

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also performed to ensure all remaining clients have higher than maintenance margin levels; after market close, a margin call report is submitted to the responsible officer for review;

In some circumstances, we may not liquidate positions despite the fact that the positions in their accounts are below maintenance margin levels. This could only occur if (i) requested by the client and approved by a responsible officer; (ii) the relevant client must provide justification for the request (such as a request to liquidate at a later time or to deposit new funds after market close to cover the call); and (iii) the relevant client agrees to a liquidation trigger proposed by the relevant AE where their positions will be liquidated. In approving such request, the responsible officer will take into consideration such matters as, without limitation, the client's past trading record, market fluctuation at the time and the call amount.

- (III) intra-day procedures: our AEs actively monitor the margin call list of clients approaching 80% margin levels and they will contact the relevant clients for instructions and for making margin calls when necessary.

*(iii) Managing trading risks with overseas brokers*

While Excalibur Global HK will segregate and record the trades by each of its clients separately, the overseas brokers engaged by it will treat Excalibur Global HK as one omnibus account and it is the obligation of Excalibur Global HK to ensure that there is sufficient cash balance in its account such that all margin requirements of open positions of futures contracts executed through the overseas brokers by its clients are met. To this end, the following measures are implemented by Excalibur Global HK:

- (i) the policy and controls for the monitoring and liquidation of margin positions with clients are the same with HKFE products and products traded on global futures exchanges; where necessary, a client's open positions may be liquidated to avoid unnecessary risk exposures for Excalibur Global HK;
- (ii) Excalibur Global HK will maintain a sufficient cushion in margin deposits with overseas brokers to ensure that the failure of one client, or clients, to meet maintenance margin will not affect the open positions of other clients. In determining the amount of excess deposits to be made:
  - (I) the accounting department will prepare a daily report calculating the daily cover ratio (i.e. equity balance/initial margin requirement) of each overseas broker. The managing director of Excalibur Global HK reviews the daily report and monitor the amount of excess deposits to be kept in the overseas broker accounts;
  - (II) Excalibur Global HK will evaluate the deposits placed with overseas brokers on a monthly basis to avoid placing excess client money with overseas counterparties based on monetary cap of each brokers to be described below.



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If it was noted that if excessive client money is placed, Excalibur Global HK will withdraw the excess amount within a week after such excessive is found;

- (III) yearly assessment of the overseas brokers is performed by Excalibur Global HK by obtaining the financial information of these brokers to ensure that the client money are placed in safe custody and that there are no material counterparty risk; and
- (IV) Excalibur Global HK defines appropriate maximum monetary cap to be deposited with an overseas broker and cover ratio and ensures proper documentation of justifications for depositing, or not withdrawing, excess margins with each overseas broker. Several factors will be considered by management in deciding the maximum monetary cap to be deposited with a particular overseas broker including, without limitation, the risk rating of that broker from Excalibur Global HK's yearly risk assessment and the volume of trade being performed through that broker;
- (iii) the online trading platform of Excalibur Global HK automatically prevents clients with negative equity position from placing orders and therefore orders placed with overseas futures exchanges through the online trading platform must meet the initial margin requirements for the relevant trade to be executed. This may only be overridden by dealing staff granting credit to clients but this would require the prior written approval from two directors, which must be obtained before extending credit to clients.

In addition to the above, we have the following procedures to ensure that trades are properly placed and traded with overseas brokers:

- (i) the futures positions of each client are automatically recorded by the online trading system;
- (ii) the dealing department monitors and ensures that trade orders to overseas brokers are properly passed to the overseas brokers' trading system;
- (iii) the settlement department performs daily reconciliation to ensure that open positions of futures contracts recorded on Excalibur Global HK's settlement system as being traded through overseas brokers matches the records of overseas brokers; and
- (iv) the above procedures are reviewed and supervised by the head of the settlement department of Excalibur Global HK on an ongoing basis.

**REGULATORY INSPECTION, NON-COMPLIANCES AND INTERNAL CONTROL DEFICIENCIES**

As a statutory regulator, the SFC has the power to carry out inspections and reviews on licensed corporations at any time to ensure their compliance with relevant laws and regulations as well as codes and guidelines prescribed by the SFC. As a licensed corporation, Excalibur Global HK may be subject to such inspections and reviews from time to time. The latest of such inspection and review was carried out in July 2015. The expected date for the next SFC review of inspection, if any, is uncertain as the SFC does not inform the Company of any fixed schedule for carrying out reviews and inspections on licensed corporations.

Save for the matters disclosed below, the Directors confirm that our Group has complied with all applicable laws and regulations in Hong Kong (being the principal jurisdiction in which we operate) in all material respects and no disciplinary action was taken against any members of our Group and/or our employees during the Track Record Period and up to the Latest Practicable Date.

**Non-compliance prior to the Track Record Period**

Set out below are details of our past non-compliance incidents prior to the Track Record Period:

***I. Breach of FRR prior to the Track Record Period***

An SFC investigation revealed that between 20 February 2004 and 29 March 2004, Excalibur Global HK's former financial controller (the "**Former FC**") had included certain cheques, received from an related company for the settlement of a margin call in the calculation of the liquid capital that was reported to the SFC pursuant to the FRR. These cheques were not deposited or credited into the bank account of Excalibur Global HK. This caused the liquid capital position reported to the SFC to be inflated by between HK\$770,000 and HK\$3.3 million over the relevant period. When the cheques were deposited in the few days thereafter, similar amounts of money were withdrawn in favour of the related company.

On 9 June 2005, Excalibur Global HK and the Former FC each pleaded guilty in the Eastern Magistrate to seven summons for breaches of section 146(1) of the SFO and was each fined HK\$35,000. Further, Excalibur Global HK and the Former FC was each ordered to pay investigation costs of HK\$10,000 and \$5,000, respectively, to the SFC.

Due to the aforementioned breach of FRR, on 25 July 2006, the SFC reprimanded Excalibur Global HK and fined it HK\$400,000 for failing to maintain the required liquid capital pursuant to the FRR. Further, the SFC has reprimanded Mr. Poon, a responsible officer of Excalibur Global HK, and fined him an amount of HK\$240,000 for supervisory failures. The reprimands and fines were the result of a settlement between Excalibur Global HK and Mr. Poon, and the SFC.

The SFC noted that Mr. Poon, being a responsible officer and supervisor of the Former FC, failed to detect and prevent the Former FC's misleading presentation of information that would give a deceptively favourable impression of the firm's financial position. Mr. Poon also failed to carefully check the cheques and FRR returns tendered to him by the Former FC before he signed it. The SFC concluded that Excalibur Global HK and Mr. Poon have been guilty of misconduct and their fitness and properness have been called into question.

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The SFC considered the following when determining the level of fines:

- no director of Excalibur Global HK, including Mr. Poon, had knowledge of, endorsed or facilitated the Former FC's misleading presentation of information. However, the SFC noted that Mr. Poon was negligent in supervising the Former FC;
- Excalibur Global HK has taken steps to improve its internal controls in order to comply with the FRR;
- Mr. Poon cooperated with the SFC's investigation and agreed to become a prosecution witness in the prosecution against Excalibur Global HK and the Former FC;
- Excalibur Global HK pleaded guilty to the FRR breaches; and
- Excalibur Global HK and Mr. Poon cooperated with the SFC and accepted a resolution of the disciplinary action by settlement.

### *Remedial actions/latest status*

Subsequent to being reprimanded, Excalibur Global HK has taken remedial actions to avoid the reoccurrence of similar breach. These actions include, among others, (i) closely monitoring the open position and margin deposits of each client to ensure clients have deposited sufficient money; (ii) setting up computer alerts for margin calls and supervising our staff to ensure the timely deposit of cheques received from clients; and (iii) requiring the accounting department to perform additional checks as to whether client cheques have been cleared and funds have been received prior to reporting, the relevant funds as liquid capital of Excalibur Global HK for FRR purposes. Further, no similar incidents have re-occurred since July 2006.

Given that Excalibur Global HK and Mr. Poon settled with the SFC and there has been no further action taken by the SFC relating to the above breach, our Directors believe that the risk of any further action to be taken by the SFC relating to this matter is remote.

## ***II. Other instances of non-compliances prior to the Track Record Period***

In addition to the breach of FRR requirements in 2004, there were a number of non-compliance incidents reported to and/or findings of the SFC and the HKCC prior to the Track Record Period (the "**Prior Non-Compliances**") and our Group has implemented a number of rectifications or enhancement measures in its internal controls to address the relevant issues, details of which are set out below:

### *A. Incidents reported to and findings of the SFC's concern in 2003*

#### ***Area of concern:***

Maintenance of 120% of required liquid capital

***Background facts and comments from the SFC:*** Due to significant price fluctuations in the market leading to a large number of margin calls to clients on certain days in 2002, the liquid capital of Excalibur Global HK fell below the buffer of 120% of the required liquid capital required under the FRR for a total of nine days in 2002. Excalibur Global HK failed to notify the SFC in writing when the liquid capital fell below the buffer of 120% in accordance with FRR requirements of the required liquid capital.

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Further, according to the documents provided by Excalibur Global HK to the SFC in connection with the above incident, the SFC noted that when computing the liquid capital in December 2002, the amount of prepaid operation expenses Excalibur Global HK used a year-end adjustment in the calculation. The miscalculation of the liquid capital of Excalibur Global HK occurred as a member of the staff of Excalibur Global HK was not familiar with the requirements in relation to the calculation of liquid capital under the FRR after Mr. Poon and Mr. Chan first acquired the control of Excalibur Global HK in 2002.

Under section 55(1)(a) of the FRR, Excalibur Global HK was required to notify the SFC in writing of the fact that the liquid capital had fallen below 120% of the required liquid capital under the FRR as soon as practicable and in any case within one business day from becoming aware of that fact.

Under section 35(c) of the FRR, a licenced corporation shall only include in the calculation of its liquid assets prepaid operating expenses which will be incurred within the next 3 months. The SFC took the view that the failure of Excalibur Global HK to report to the SFC that its liquid capital fell below 120% of the required liquid capital constituted a breach of section 55(1)(a) of the FRR.

The SFC also considered that any subsequent adjustments made to the amount of operating expenses were not acceptable for the purpose of section 35(c) of the FRR.

**Rectification actions:** On 1 January 2003, the amount of liquid capital of Excalibur Global HK was restored back to the level above 120% of the required liquid capital. No further action has been taken by the SFC regarding the non-compliance since the last reply from Excalibur Global HK on 15 August 2003 and as at the Latest Practicable Date, and no similar incidents have recurred since January 2003.

### *B. Rectifications addressing the HKCC's concern in 2008*

#### **Area of concern:**

Sufficiency of funds in bank account to settle margin call

**Background facts and comments from the HKCC:** This incident arose due to the inadvertent oversight of settlement staff, Excalibur Global HK had failed to net down relevant positions in a daily report to DCASS. By including the positions which had not been net down in the report to DCASS, some transactions were not properly closed out and hence the margin unexpectedly increased. As a result, the amount of funds maintained by Excalibur Global HK in its settlement bank account, which should have been sufficient to cover the actual margin call, turned out to be insufficient to settle the margin call from the HKCC.

Rule 401 of the Rules and Procedures of HKCC (the “**HKCC Rules**”) requires that every HKCC participant shall pay on demand to the HKCC such margin as the HKCC may from time to time require.

HKCC expressed concern over Excalibur Global HK's failure to have sufficient funds to settle the margin call and reminded Excalibur Global HK that any failure to comply with the requirement under HKCC Rule 401 would be in contravention of HKCC Rule 401 and disciplinary actions might be taken against Excalibur Global HK.

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**Rectification actions:** Excalibur Global HK settled the margin call immediately as instructed by HKCC on the same day of the incident. Although this was an isolated one-off incident, Excalibur Global HK took the following remedial measures to further strengthen the review procedures of the daily reports and avoid future non-compliance on the next day after the incident:

- (i) the settlement staff were reminded to follow strictly the policy on daily operations including the settlement procedures in the policy;
- (ii) implemented a requirement that daily reports prepared by the settlement staff must be checked by two staff members of the settlement department before the reports are sent to DCASS;
- (iii) the settlement staff must calculate the maximum daily margin required and notify the accounting manager of such amount; and
- (iv) the settlement staff must notify our managing director, Mr. Poon, or the RO, Ms. Lee Mei Chun, for the margin call before 6:45 p.m. to ensure Excalibur Global HK has sufficient funds to settle the margin call on the following day.

No further action has been taken by the HKCC regarding the non-compliance since the last reply from Excalibur Global HK on 24 November 2008 and as at the Latest Practicable Date. The aforesaid remedial measures were implemented immediately the next day after the incident, and no similar incidents have recurred since then.

### *C. Rectifications addressing the SFC's concerns in 2008*

**Area of concern:**

Trading of in-house traders

**Background facts and comments from the SFC:** Excalibur Global HK decided to commence in-house trading in 2008. For this purpose, Excalibur Global HK reserved HK\$3 million and proposed to engage three traders to form an in-house trading team.

The trades carried by these traders were entered into the house account of Excalibur Global HK maintained at HKCC, and Excalibur Global HK assumed the legal contractual obligations to absorb any trading loss incurred by the traders. These traders were not treated as clients by Excalibur Global HK. No day trade margins were required from the three in-house traders for their day trading activities.

Rule 626(b) of the HKFE requires that every HKFE participant registered under the category of Futures Commission Merchant to ensure that all dealings in futures and/or options contracts conducted by it on the instructions of a client be booked through a separate account in the client's name, designated as a "segregated", "client" or "non-house" account or some other similar title and that no dealings in futures and/or options contracts conducted by that HKFE participant for its own account shall be booked through the client's account.

Rule 617(a) of the Rules, Regulations and Procedures of the Futures Exchange (the "**HKFE Rules**") requires that no HKFE participant shall transact in futures and options contracts for any client until and unless the HKFE participant has received from that client collateral adequate to cover that Client's minimum margin requirement.

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Given that Excalibur Global HK had yet to formally commence its in-house trading and employ these individuals as in-house traders, the SFC considered that the transactions executed by them shall be subject to the requirements applicable to client accounts instead of the requirements applicable to house accounts including the minimum margin requirements under Rule 617 of the HKFE. The SFC took the view that Excalibur Global HK was in breach of the minimum margin requirements under Rule 617 of the HKFE by failing to put in place any day trade margin requirements for the three in-house traders. The SFC also raised concerns over the booking of the transactions of the above traders into the Excalibur Global HK's house account with the HKCC and considered that the practice was in violation of Rule 626(b) of the HKFE.

**Rectification actions:** Excalibur Global HK took the following remedial measures in August 2008:

- (i) formally setting up of an in-house trading team comprising the 3 traders in subject;
- (ii) reviewing the appropriateness and suitability of the traders from time to time including their competence, skill, professional knowledge and financial status;
- (iii) setting for each trade the open position limit and loss limit for its traders to monitor the risks arising from the traders' trading activities;
- (iv) stipulating that the traders could only carry out intra-day trades and could not hold overnight positions; and
- (v) allowing the dealing director, Ms. Lee Mei Chun or Mr. Poon to have the authority to restrict the trading volumes and platform of the in-house trading team when necessary.

No further action has been taken by the SFC regarding the non-compliance since the last reply from Excalibur Global HK on 19 August 2008 and as at the Latest Practicable Date. Since August 2015, Excalibur Global HK has ceased in-house futures trading. The above remedial measures were implemented in August 2008, and no similar incidents have recurred since then.

### *D. Rectifications addressing the HKCC's concern in 2009*

**Area of concern:**

Maintenance of minimum liquid capital as required by the HKCC

**Background facts and comments from the HKCC:** Due to in-house trading loss caused by market fluctuations, Excalibur Global HK only maintained a liquid capital of HK\$4,436,000 as at 31 May 2009 which is less than the required level under Rule 215 of the HKCC, i.e. the higher of the required liquid capital under the FRR or HK\$5 million for a Clearing Participant. HKCC considered that Excalibur Global HK was in breach of HKCC Rule 215.

**Rectification actions:** On 22 June 2009, the breach was rectified following the repayment of a debt to Excalibur Global HK, after which the amount of liquid capital reached HK\$5,407,000, meeting the minimum liquid capital requirement. Further, Excalibur Global HK designated an RO, Mr. Poon, to monitor the position of the liquid capital.

No further action has been taken by the SFC regarding the non-compliance since the last letter from the HKCC on 17 August 2009 and as at the Latest Practicable Date. Since August 2015, Excalibur Global HK has ceased in-house futures trading, and therefore no similar incidents have recurred since the non-compliance.

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### *E. Rectifications addressing the SFC's concerns in its limited review in 2010*

**Area of concern:**

1. Sufficiency of collateral to cover the minimum margin requirement

**Background facts and comments from the SFC:** After considering the creditability and the background of a client, Excalibur Global HK may allow certain clients to open new positions even if they fail to meet existing margin calls promptly within the same day or have a negative balance in their accounts.

As required by Rule 617(a) of the HKFE Rules, no HKFE participant shall transact in futures and options contracts for any client until and unless the HKFE participant has received from that client collateral adequate to cover that Client's minimum margin requirement. The SFC took the view that by allowing clients to open new positions without sufficient collateral to cover the minimum margin requirement, Excalibur Global HK was in breach of Rule 617(a) of the HKFE Rules.

Moreover, as part of its client service, Excalibur Global HK would arrange intra-day loans to be provided by Smart Day Capital (known as Excalibur Capital Limited at such time) to its client. To provide intra-day loans to clients, Smart Day Capital would issue a cheque to Excalibur Global HK. For repayment of the intra-day loans, Excalibur Global HK would issue a cheque in the same amount to Smart Day Capital on behalf of its clients prior to repayment of the same amount by its clients.

On the provision of intra-day loans by Smart Day Capital, the SFC commented that it was ineffective to cover the firm's and clients' risk of suffering loss as a result of client default or changing market conditions.

**Rectification actions:** Excalibur Global HK took the following remedial measures:

- (i) to protect Excalibur Global against the risk of client default, if clients incurred a trading loss leading to a deficit in their trading account (excluded loans from Smart Day Capital), Excalibur Global HK would request clients to issue a cheque to cover the deficit immediately after the relevant trading period. Excalibur Global HK would only deposit a cheque with Smart Day Capital for the repayment of intra-day loans after confirming all client deficits were covered by clients' own cheques;
- (ii) to ensure that accounts with negative balances cannot make any trade, Excalibur Global HK would only allow clients to trade if the clients could fulfil the initial margin requirement, including the deposit of cheques from Smart Day Capital representing an amount of collateral adequate to cover a client's minimum margin requirement; and
- (iii) margin deficiency report would be sent to the finance manager and two ROs of Excalibur Global HK immediately after each trading period in order to keep track of the margin call status of clients' accounts. If the client does not pay the deficit before next trading day, the RO of Excalibur Global HK will instruct Excalibur Global HK's IT department to freeze the client's account. The account will be released only upon the written instruction by two ROs when the client already has deposited sufficient funds to Excalibur Global HK.

In November 2015, the arrangement of intra-day loans to be provided by Smart Day Capital ceased, and therefore no similar incidents have recurred since the non-compliance.

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*Area of concern:*

2. Keeping of margin calls records

*Background facts and comments from the SFC:* Due to the lack of in-depth explanation to Excalibur Global HK's staff on the updated requirements on the maintaining of margin calls records, Excalibur Global HK did not maintain detailed records about the intra-day margin calls made to clients.

The SFC commented that failure to keep proper record was in breach of section 7(2)(d)(iv) of the Securities and Futures (Keeping of Records) Rules and paragraphs 1(g) to (j) of Schedule 4 of the Code of Conduct.

*Rectification actions:* Excalibur Global HK adopted new margin call reporting procedures to record margin calls since April 2010. Under such procedure, the margin call reports would be made by the dealing officer, reviewed by the compliance officer and approved by the RO, Ms. Lee Mei Chun. In addition, a letter of margin call would be sent out to those clients in indebtedness with Excalibur Global HK when necessary.

The new margin call reporting procedures were adopted in April 2010, and no similar incidents have recurred since then.

*Conclusion*

The Directors confirmed that the Prior Non-Compliances have all been rectified. Other than the fine in 2006, there is no penalty or sanction imposed by the SFC or the HKCC nor pending action in relation to the Prior Non-Compliances as at the Latest Practicable Date. Having considered that (i) some of the incidents were isolated incidents; (ii) our Group has ceased to conduct in house trading since August 2015; (iii) the intra-day financing from Smart Day Capital has ceased since November 2015; and (iv) Excalibur Global HK has strengthened its internal control measures since the above non-compliances, our Directors believe that the Prior Non-Compliances have no significant or expected impact on our Group. The Joint Legal Counsels also opined that, after considering that (i) most of our Group's non-compliances are related to procedural matters and are not breaches of a serious nature; (ii) the non-compliances were unintentional and occurred due to inadvertent oversight by the management of our Group; (iii) our Group did not suffer any material loss or experience any adverse impact on its revenue as a result of the non-compliances; (iv) all non-compliances have been rectified; and (v) our Group has adopted internal control measures to avoid future breaches, the aforementioned non-compliances do not render the Group unsuitable for Listing.



**Internal control deficiencies prior to the Track Record Period**

In addition to the aforementioned Prior Non-Compliances, there were a number of internal control deficiencies reported to and/or findings of the SFC and the HKCC prior to the Track Record Period (the “**Prior Deficiencies**”) and our Group has implemented a number of rectifications or enhancement measures in its internal controls to address the relevant issues, details of which are set out below.

*A. Incidents reported to and findings of the SFC’s investigation in 2004*

<i>Area of concern:</i>	<i>Background facts and comments from the SFC:</i> During its review, the SFC had concerns that Excalibur Global HK allowed seven to eight traders who were not employees of the firm to trade as RTs using its proprietary house account; such that the traders might benefit from trading fee discounts while at the same time circumvent minimum margin requirements of the HKFE. It also exposed Excalibur Global HK to additional credit risks as their trading losses through the house account had to be reimbursed by the RTs.
1. Risk management on registered trader (“RT”) accounts	

Further, the SFC had concerns with the adequacy of risk management controls and procedures of Excalibur Global HK regarding RT accounts. In particular, the SFC noted the following issues:

- (i) Excalibur Global HK allowed RTs who were active and had large maximum open positions without charging adequate day trade margins;
- (ii) while intra-day position limits (i.e. the maximum trade positions a RT were allowed to take) on RT trading were set, Excalibur Global HK had:
  - (a) failed to properly document such position limits set on individual RTs or communicate such limits to staff responsible for monitoring such limits;
  - (b) failed to effectively prevent or restrict RTs from exceeding position limits; as such limits were monitored manually through on-screen eyeball checking and calculations by the responsible officer or dealing staff (rather than set in the trading system for real-time monitoring); and
  - (c) failed to prevent RTs from circumventing position limits by splitting an order into smaller orders;
- (iii) Excalibur Global HK may not have considered the financial strength of each RT diligently, with objective proof of financial background given the large position limits granted to them;
- (iv) the management reports of Excalibur Global HK lacked information (such as margin requirements on each RT) for the management to review the real margin status of RTs; and
- (v) the risk management procedure of Excalibur Global HK did not control or prevent the concentration in holding of, or set position limits on holding, illiquid options by RT accounts.

The above deficiencies in risk management concerning RT trading may expose Excalibur Global HK to material financial risks (for example, as a result of RTs’ overtrading in excess of their financial resources), especially where the market fluctuates in an unfavourable direction.

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**Rectification actions:** Excalibur Global HK adopted the following policies to enhance its internal control on risk management and exposures of the RT trading accounts in May 2004:

- (i) trade limits were imposed on each trade account with consideration of the relevant RT's financial resources;
- (ii) intra-day open positions were monitored by front-end staff and Ms. Lee Mei Chun, our responsible officer, who is authorised to close the positions and stop any further loss if necessary;
- (iii) a new DCASS system has been implemented which would state the margin requirement applicable to each RT trader in each individual statement and record position limits of RT accounts; and
- (iv) the RT accounts in question which required personal eyeball on-screen monitoring by the responsible officer were frozen until the new DCASS system has been implemented.

No further action has been taken by the SFC regarding the non-compliance since the last reply from Excalibur Global HK on 28 July 2004 and as at the Latest Practicable Date. Since February 2007, Excalibur Global HK ceased to have any RT since the discontinuance of registration of RTs following the launch of the market maker model by the HKEx to simplify and improve the quality of marketing making services. The enhanced internal control on risk management and exposures of the RT trading amounts were implemented in May 2004 and the RT practice ceased in February 2007. No similar incidents in relation to this concern has recurred since the non-compliance.

**Area of concern:**

2. Including undeposited cheques as liquid assets under the FRR

**Background facts and comments from the SFC:** The SFC noted that during the period from February 2004 to May 2004, Excalibur Global HK included certain undeposited cheques in its calculation of liquid capital.

The SFC cautioned Excalibur Global HK that the delayed deposit of cheques and the inclusion of such cheques in the calculation of the liquid capital were unacceptable and the repeated acts of including such cheques as liquid assets casted doubt on whether Excalibur Global HK did this intentionally to mislead the SFC that it had a larger excess liquid capital.

**Rectification actions:** Excalibur Global HK took remedial measures in response to the SFC's concerns after the disciplinary actions of the SFC. Please refer to page 185 for details of the relevant remedial measures taken by Excalibur Global HK. The remedial measures were implemented in May 2004, and no similar incidents have recurred since then.

**B. Rectifications addressing the SFC's concerns in its limited review in 2010**

**Area of concern:**

1. Handling of cash from clients in the PRC

**Background facts and comments from the SFC:** In 2008 when Excalibur Global HK was under the control of China Fortune Financial Group Limited, a company listed on the Stock Exchange (stock code: 290), Excalibur Global HK cooperated with New Era to undertake research and development for the development of a software trading platform for trading futures products in the PRC to initially target potential PRC futures brokerage firms in anticipation of the launch of the China Shanghai Shenzhen 300 Stock Index Futures. Two representative offices with a total of approximately 10 staff were established in Shanghai and Guangzhou (the "PRC Offices") respectively for the purpose of carrying out such research and development. However, such research and development was terminated in 2010 as the project did not bear fruit. Consequently, the PRC Offices were closed in 2011.

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In respect of such PRC Offices:

- (i) the business and activities of the PRC Offices related only to research and development of the software trading platform, but did not relate to the futures and options brokerage business of Excalibur Global HK in Hong Kong;
- (ii) no revenue had been generated from the PRC Offices during the relevant period; and
- (iii) there had been no material non-compliant incident, claim, litigation or legal proceeding (whether actual or threatened) involving the PRC Offices before they were closed.

Although the PRC Offices did not have any business operations other than research activities before they were closed, due to convenience and simultaneously to facilitate the needs of PRC clients in depositing funds for trading purposes while they were in the PRC, on two occasions the then marketing director of Excalibur Global HK in charge of software trading platform development at the PRC Offices (the “**Marketing Director**”) received cash deposits directly from PRC clients of Excalibur Global HK at the PRC Offices. Excalibur Global HK acknowledged the receipt directly by crediting the clients’ accounts online. Such deposits were properly recorded in the daily statements to the relevant clients as acknowledgements. Clients also checked their daily statement received the next morning to confirm their cash deposit. Apart from these acknowledgements, no actual receipts were provided to the said clients as confirmations for their direct deposits. On the same day, Excalibur Global HK would book an equivalent amount as an amount due from the Marketing Director and also deposit an equivalent amount to the trust account of the clients. Similarly, PRC clients might request withdrawing client money at the PRC Offices. Upon such request, the Marketing Director would pay cash to the PRC clients in advance and Excalibur Global HK would subsequently book the equivalent amount as an amount due to the Marketing Director and also debit an equivalent amount from the trust account of the clients.

The SFC questioned whether the above incidents were:

- (i) in compliance with paragraph 11.1 of the Code of Conduct as the SFC was of the view that client assets should be directly deposited with the licensed corporation rather than being handled by unregulated individuals outside of Hong Kong;
- (ii) in compliance with relevant rules and regulations in the PRC as there were restrictions on currency and exchange in the PRC at the relevant time; and
- (iii) in compliance with the Client Money Rules which required client money not to be paid to any employee of a licensed corporation (unless the employee was the account holder himself/herself under section 5(3) of Client Money Rules).

Following the receipt of the above from the SFC, Excalibur Global HK ceased the relevant practice immediately.

**Rectification actions:** Excalibur Global HK took the following remedial measures:

- (i) all cash deposits and withdrawals by clients through Excalibur Global HK’s staff in the PRC were prohibited immediately after the receipt of the SFC comments. Since then, all funds from clients must be directly deposited into the bank account of Excalibur Global HK in Hong Kong. All client withdrawals were handled by Hong Kong offices. Cheques would be written under the name of the client or his authorised person. Those cheques would be directly deposited to the client’s or the client’s authorized person’s bank account or given to the client personally.

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- (ii) Excalibur Global HK consulted a PRC lawyer regarding the PRC Offices business activities and was advised that the PRC Offices business activities did not violate any laws and regulations of PRC.

The PRC offices were closed in 2011, and no similar incidents have recurred since the non-compliance.

*Area of concern:*

- 2. Collection of clients' background information in the account opening documents and the monitoring of suspicious transactions

*Background facts and comments from the SFC:* Due to the use of an out-dated client information collection sheet in the account opening process which was not comprehensive enough to cover all necessary information regarding the background of clients, some of the clients' background information was not complete in the account opening documents. Further, since Excalibur Global HK relied on the personal monitoring carried out by our ROs for its client base, Excalibur Global HK had no policy in place to conduct ongoing customers due diligence and ongoing identification of suspicious transactions.

The SFC took the view that an anti-money laundering policy should be in place as required by the Prevention of Money Laundering and Terrorist Financing Guidance Note Issued by the SFC.

Further, in 2010, two clients of Excalibur Global HK which were friends with each other (the "Subject Clients") instructed Excalibur Global HK to make cheque payments (in amounts of HK\$567,215 and HK\$240,000 respectively) to a third party company. After receiving the instructions from the Subject Clients, Excalibur Global HK made cheque payments to the third party company according to their respective instructions without specific knowledge of, and had failed to make reasonable enquiries in respect of, the reason of making such payments, their relationship with the third party company and the background of the third party company.

To the best knowledge and belief of the Directors, (i) the third party company was a Hong Kong company incorporated in 2008 but which was subsequently dissolved in 2011; (ii) the Subject Clients had never been directors of the third party company and appeared to be third parties independent from our Company at all material times; and (iii) such third party company and its directors were third parties independent of our Company and our connected persons.

According to paragraphs 6.1.2(d) and 9.1 of the Prevention of Money Laundering and Terrorist Financing Guidance Note issued by the SFC in 2009 (the "AML Guidance Note") respectively, Excalibur Global HK should critically review the trading and fund payment patterns of its clients and consider whether a suspicious transaction report should be made in the Joint Financial Intelligence Unit ("JFIU"). In accordance with paragraph 10.3 of the AML Guidance Note, if a decision is made not to report an apparently suspicious transaction to the JFIU, the reasons for this should be fully documented. The SFC was concerned that Excalibur Global HK had failed to critically review, document or make enquiries in respect of the relevant transactions and may be conducive to facilitating money laundering and counter-terrorist financing activities.

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**Rectification actions:** Excalibur Global HK adopted a new anti-money laundering policy on 1 April 2010 under which:

- (i) account opening documents must be checked by at least three staff members including the settlement staff, the compliance officer and the finance manager or an RO before an account was permitted to operate;
- (ii) a critical review was conducted on all existing and active clients in March 2010 and all information was updated;
- (iii) clients' information should be updated annually and such annual update would be sent out with the monthly statement in December each year;
- (iv) inspection procedures would be triggered when the amount of funds transferred into an account exceeded HK\$1,000,000 (further revised to HK\$120,000 in 2016). Employees of Excalibur Global HK would check the relevant client's financial background. If our employees have suspicions regarding the source of funding, employees should report to the RO immediately and file a suspicious transaction report;
- (v) irregular payment patterns would be recorded and reported to the RO; and
- (vi) transaction reports of top ten clients would be reviewed by the RO each day in order to review any trading which does not match with the clients' investment experience. If any suspicious trading is noted, a suspicious transaction report must be filed.

The new anti-money laundering policy adopted on 1 April 2010 also addressed the issue of suspicious third party cheque payments by providing that:

- (i) a written explanation on the nature of the transfer to and from a client to any third party and the relation of the third party with the client must be confirmed with client through a recorded phone;
- (ii) all source of funds would be verified by AEs (with the assistance of compliance staff where necessary prior to any acceptance of funds using Clearing House Automated Transfer System (CHATs) or wire transfers;
- (iii) no third party cheque would be accepted except under limited circumstances with the prior approval of a responsible officer;
- (iv) all suspicious transactions must be reported to a responsible officer in compliance with established internal reporting process; and
- (v) additional AML training will be provided to the AEs and other staff of the Excalibur Global HK on a regular basis.

Further subsequent enhancements of our internal control procedures for anti-money laundering and counter-financing of terrorism issues are disclosed under the paragraph headed "Compliance regarding anti-money laundering ("AML") and counter-financing of terrorism ("CFT") issues" in the "Business" section of this prospectus. No similar incidents have recurred since April 2010.

*Conclusion*

The Directors confirmed that the Prior Deficiencies have all been rectified. There is no penalty or sanction imposed by the SFC or the HKCC nor pending action in relation to the Prior Deficiencies as at the Latest Practicable Date. Having considered that (i) our Group has ceased to have RT since February 2007, (ii) our Group has closed the PRC Offices in 2011, (iii) the new anti-money laundering policy was implemented in April 2010; and (iv) our Internal Control Consultant has confirmed that all the internal control deficiencies identified in their review were either rectified in full or have been remedied to the extent the risk exposure to the Group is not material, our Directors believe that the Prior Deficiencies have no significant or expected impact on our Group. The Joint Legal Counsels also opined that, after considering that (i) most of our Group's deficiencies are related to procedural matters and are not breaches of a serious nature; (ii) the deficiencies were unintentional and occurred due to inadvertent oversight by the management of our Group; (iii) our Group did not suffer any material loss or experience any adverse impact on our revenue as a result of the deficiencies; (iv) all deficiencies have been rectified; and (v) our Group has adopted internal control measures to avoid future breaches, the aforementioned deficiencies do not render our Group unsuitable for Listing.

**Non-compliances during the Track Record Period**

***I. Non-compliances found by SFC inspection in 2015***

The SFC conducted a limited review of the business activities of Excalibur Global HK in July 2015 and issued a letter setting out instances of non-compliance. Summary of the key areas of concerns of the SFC in its review and our specific rectification actions are set out in the paragraph headed "II. SFC review" below.

Following the receipt of the SFC letter, Excalibur Global HK has conducted a review of its systems and internal controls, implemented enhancement measures and procedures and sought independent professional advice to ensure future compliance with all relevant legal and regulatory requirements. Following several correspondence and submissions with the SFC, the SFC issued a letter on 5 February 2016 confirming that it has no further comments.

***II. SFC review***

Summary of the key areas of concern raised by the SFC in July 2015 and the Company's explanation and rectification actions taken are as follows:

<b><i>Area of concern:</i></b>	<b><i>Background facts:</i></b> Certain client accounts of PRC residents were opened by Excalibur Global HK using a "non-face-to-face" approach, whereby Excalibur Global HK would rely on certain PRC individuals to certify the signing of client agreements and account opening documentation.
1. Account opening procedures for clients located in the PRC	Under the Code of Conduct, the signing of the client agreement and sighting of related identity documents can be certified by a licensed or registered person, an affiliate of a licensed or registered person, a JP (Justice of the Peace), or a professional person such as a branch manager of a bank, certified public accountant, lawyer or notary public (" <b>applicable certifying persons</b> "). Based on the understanding of Excalibur Global HK and advice from legal counsel, a person would be an applicable qualifying person for attending the certification processes if the person is accredited to an affiliated registered futures trading company of Excalibur Global HK.

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During the period of approximately two years up to April 2015, Excalibur Global HK relied on certain individuals to attend the certification process in respect of the client account opening of 272 PRC clients where the “non-face-to-face” approach was adopted. These individuals included (i) Jiang Guodong (“**Jiang**”), an account executive of New Era who was not accredited to New Era until 21 August 2015, in respect of 192 client accounts; (ii) Peng Zhi Wen (“**Peng**”), a licensed person accredited to Founder Securities, a licensed brokerage in the PRC, in respect of 78 client accounts; and (iii) an Independent Third Party engaged in the accounting profession, in respect of two client accounts. Apart from the certification of the signing of client agreements and the sighting of related identity documents, other parts of the account opening procedures, including (i) the review of all completed account opening documentation, (ii) the explanation of the risk disclosure statement to the new clients following confirmation of their name and identity document details, and (iii) the despatch of the login details of the trading accounts to the addresses provided by the new clients, took part in Hong Kong and were administered by AEs of Excalibur Global HK.

To ascertain whether Jiang was an applicable certifying person, Excalibur Global HK: (i) relied on representations of Mr. Ding (an owner of approximately 4% shareholding in Excalibur Global HK and a director of New Era) that Jiang was an account executive of New Era with professional qualifications in futures trading in the PRC; (ii) examined the examination certificate of Jiang which showed that Jiang had passed a licensing examination administered by the China Futures Association; (iii) obtained and reviewed the accounting opening policies and procedures of New Era and was satisfied that they were commensurate with the equivalent policies and procedures applicable to licensed or registered persons conducting the certification of the signing of client agreements and sighting of related identity documents as set out in the FAQ on Code of Conduct issued by the SFC on 16 July 2001.

However, the SFC noted that while Jiang had passed a licensing examination administered by the China Futures Association, he could not show that he was accredited to, or was a staff of, New Era and his name was not registered with the China Futures Association.

**SFC comments:** The SFC was of the view that the above mentioned individuals were not qualified under paragraph 5.1 of the Code of Conduct as applicable certifying persons (to attend the certification process in respect of the client account opening where the “non-face-to-face” approach was adopted) as they fell short of the requirements to be such a person under the Code of Conduct. In particular, (i) Jiang could not show that he was accredited to New Era and his name was not registered with the China Futures Association and (ii) Peng, while a licensed person, was not a staff of an affiliate of Excalibur Global HK.

**Potential risk associated with the relevant incidents and revenue contribution of the relevant trades or transactions during the Track Record Period:** Persons who are not qualified under the Code of Conduct as applicable certifying persons may not possess the necessary knowledge and experience for properly carrying out the certification process. By not having a licensed person to certify the signatures, we may not be able to establish the true and full identities of our PRC clients.



## BUSINESS

Our Group's revenue attributable to accounts of PRC clients the opening of which were certified by unqualified certifying persons over the period from the commencement of the Track Record Period to April 2016 (when the entire process of re-certification/reestablishment of true identity of affected clients was completed) was approximately HK\$6.1 million. We did not incur any actual loss as a result of such internal control deficiency during the Track Record Period.

***Rectification actions:***

- (i) Excalibur Global HK has re-assessed the qualifications of its certifying persons and ceased using persons who were not qualified under the Code of Conduct to attend the clients' identity certification process. In particular, it re-confirmed with New Era that Jiang was an account executive of New Era and therefore was a staff of New Era. Further, it understood from New Era, and Excalibur Global HK which has verified such fact by performing an independent checking of the online public register of China Futures Association, that Jiang was accredited to New Era with effect from 21 August 2015. Therefore, our Directors were of the view that, with effect from 21 August 2015, Jiang was "an affiliate of a licensed or registered person" under paragraph 5.1 of the Code of Conduct and became an applicable certifying person.

After Jiang ceased to be accredited to New Era in December 2016 for personal reasons, Excalibur Global HK no longer used Jiang to do the certification. In addition, Excalibur Global HK also identified more applicable certifying person with proper qualifications under the Code of Conduct (including PRC lawyers) for the purpose of certifying the identity of clients. In the event that there is a need to conduct non-face-to-face account openings for PRC clients in the future, identities and signatures of all new PRC clients will have to be certified by registered PRC lawyers designated by our Group.

- (ii) Excalibur Global HK has revised and enhanced its accounts opening procedures in compliance with the Code of Conduct in August 2015. It also requested its responsible officer and staff to strictly comply with the revised and enhanced procedures and report any failure to comply to management. Details of the account opening procedure now in place are set out in the section headed "Business — Our client management". The Directors confirm that Excalibur Global HK has complied with the account opening procedures set out in the above section in compliance with the Code of Conduct.
- (iii) Excalibur Global HK reviewed all account opening documents of all PRC clients and has reestablished the identities of all its PRC clients by taking the following rectification actions to ensure ongoing compliance with the relevant provisions of the Code of Conduct relating to certification of PRC clients since the completion of the SFC review in July 2015:
  - (a) understanding that the SFC's concern was that Jiang was not an applicable certifying person (i.e. a person prescribed by paragraph 5.1 of the Code of Conduct to be qualified to confirm clients' identities and witnessing signatures when non-face-to-face account opening approach is used) due to him not being accredited to a licensed affiliate of Excalibur Global HK. The Company has discussed the matter with each of Jiang and New Era. Since 21 August 2015, Jiang has been an applicable certifying person following his accreditation as a licensed person of New Era (a futures broker registered with the China Securities Regulatory Commission of the PRC). The said rectification action was reported to the SFC on 28 January 2016;



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- (b) since Jiang became an applicable certifying person, he assisted in re-certifying the identities of PRC clients of Excalibur Global HK whom he previously certified whilst unqualified. The process of re-certification/re-establishment of true identities of all PRC clients described above commenced immediately following the accreditation of Jiang as an applicable certifying person in August 2015 and the entire process was completed by the end of April 2016.
- (iv) in addition to the above rectification procedures, the Directors consider that the true identities of its clients (including all its PRC clients and clients whose identities were certified by Jiang) were also supported and established through the performance of its general account opening procedures by Excalibur Global HK including the following:
  - (a) after receiving the account opening documents from the clients, the staff of Excalibur Global HK would explain the risk disclosure statement to them personally by phone and before the explanation would request clients to provide their names and identity card numbers;
  - (b) Excalibur Global HK would send the login and passwords for operating their trading accounts by different letters to the addresses provided by the clients so as to verify the authenticity of the address proofs provided;
  - (c) if it is discovered that the account opening documentation was insufficient, Excalibur Global HK would directly request clients to provide supporting documents relating to their identities and backgrounds; and
  - (d) Excalibur Global HK would activate the accounts only after all KYC procedures have been performed and completed with proper sign-off by the staff of Excalibur Global HK.
- (v) in order to further enhance its procedures to avoid further non-compliance, Excalibur Global HK has taken the following additional measures:
  - (a) updated its internal procedure manual in August 2016 regarding the verification of applicable certifying persons for establishing client identity when non-face-to-face certification process is adopted; and
  - (b) required that identities and signatures of all new PRC clients using a non-face-to-face approach to be certified by a registered PRC lawyer designated by the Group since December 2016.

The enhanced account opening procedures was adopted in August 2015. No similar incidents have recurred since then.

***Area of concern:***

2. Customer due diligence, anti-money laundering and counter-terrorist financing measures

***Background facts:*** Jiang transferred funds in the following amounts through his client account maintained with Excalibur Global HK:

- (i) in the aggregate amount of approximately HK\$433,926 to the client account of three personal friends in the month of December 2014; and
- (ii) in the aggregate amount of approximately HK\$51,800 to the client account of two personal friends (one being the same person in December 2014) in the month of January 2015.

Save for the above transfers, Jiang had not used his client account with Excalibur Global HK to effect the transfer of funds to any other clients of Excalibur Global HK.

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Excalibur Global HK operated the client accounts in accordance with the instructions of Jiang and these four PRC clients without specific knowledge of the details or circumstances leading to the intra-account funds transfer between them.

Our Directors confirm that, save for their client relationships with Excalibur Global HK, these four PRC clients have no relationship whatsoever, business or otherwise, with our Group, our Directors and their respective associates. Excalibur Global HK had no specific knowledge on the details or circumstances leading to the funds transfer between Jiang and these PRC clients at the relevant time of transfer. Based on subsequent inquiry; however, it was understood that such inter-account transfers were carried out for the purpose of making or settling personal loans between Jiang and these PRC clients, some of whom did not have a bank account in Hong Kong.

Further, certain new clients of Excalibur Global HK who have not opened bank accounts in Hong Kong have made frequent cash deposits and withdrawals using their client accounts maintained at Excalibur Global HK during the three months ended 28 February 2015. No senior management approval was required for the abovementioned transactions.

We did not incur any actual loss as a result of the internal control deficiency during the Track Record Period.

Our Directors confirm that save as disclosed in this prospectus, there was no other non-compliant transfer of funds between our Group, our clients and/or New Era which the Directors consider suspicious transactions pursuant to Chapter 5 of the Anti-Money Laundering Guideline.

**SFC comments:** The SFC noted that the acceptance of client requests for cash withdrawals and inter-account transfer may pose additional risks, such as money laundering and misappropriation risks, and took the view that Excalibur Global HK failed to have proper measures and adequate procedures to monitor, identify and report suspicious transactions pursuant to Chapter 5 of the Anti-Money Laundering Guideline.

**Background facts:** Where clients reported different residential and correspondence addresses in their account opening documents, Excalibur Global HK only obtained only one address proof from these clients for verification purpose. Further, some of the clients of Excalibur Global HK shared the same address, but no follow up action or investigation was carried out in respect of the reason behind the sharing of address.

**SFC comments:** The SFC expressed its concern with the effectiveness of the know-your-client procedures of Excalibur Global HK which required it to conduct proper due diligence and follow-up. Further, we were not in compliance with paragraph 4.8.8 of the Anti-Money Laundering Guideline.

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***Potential risk associated with the relevant incidents and revenue contribution of the relevant trades or transactions during the Track Record Period:*** According to the records of Excalibur Global HK, these four PRC clients opened accounts with Excalibur Global HK in the period from 2011 to 2016. Two of them were inactive clients and the remaining two clients were active clients as of the Latest Practicable Date. Our Group's revenue attributable to these four PRC clients during the Track Record Period was approximately HK\$6.6 million.

By not having appropriate measures to handle unusual or suspicious clients' activities and to verify their backgrounds, we may have increased the risks of money laundering or misappropriation to our business and exposed our Company to potential illegal activities.

The non-compliance which related to procedural matters did not have any impact on the amount of revenue generated by our Group from the relevant clients.

***Rectification actions:***

- (i) Excalibur Global HK has updated its anti-money laundering procedure manual on 3 August 2015 (a) prohibiting cash transfers between clients unless with special approval from senior management which will be given on a per request basis having considered the factors mentioned below; and (b) requiring clients to provide written explanation on the nature and reason of funds transfer to and from third parties. When granting permission for the transfer, our senior management will consider the following factors, (I) whether the trade history of the client contains any suspicious trades or activities (permission may be granted if the client's transaction history does not raise any concerns relating to anti-money laundering issues); (II) whether there is any relationship between the transferee or transferor (permission may be granted if the transferee and transferor are related to each other as family members or relatives); and (III) the reason and background of the transfer (permission may be granted if transferred funds are used in a genuine trade);
- (ii) senior management shall closely monitor compliance of Excalibur Global HK with the new anti-money laundering procedures which have been adopted by Excalibur Global HK;
- (iii) to increase the awareness of its staff about the risk of money laundering, Excalibur Global HK required its staff to attend additional in-house training course and courses organised by outside organisations on anti-money laundering and counter-terrorist financing, in particular on how potential suspicious transactions are identified;
- (iv) regarding the "know your client" procedural deficiency, additional controls and procedures have been adopted in Excalibur Global HK's procedure manual to ensure satisfaction of "know your client" (KYC) requirements under the Code of Conduct. These include, among others, requirement for (a) account opening form to be double verified by settlement department staff to identify any material omission or inconsistency and to ensure that all relevant information has been filled in; and (b) AEs to follow up on any identified irregularity(ies). A client whose account opening or KYC documentation is incomplete or contains inaccuracies or irregularity will be suspended;

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- (v) In response to the SFC's concerns on common address used by different clients, Excalibur Global HK inquired the relevant clients and noted the reasons for the sharing the addresses (for example, they were family members, friends or colleagues who shared a common address such as their home or hostel address. Excalibur Global HK has also adopted the requirement for additional check and inquiry to be made where a similar address or email address is used by different clients, and the failure to provide valid reasons will cause the relevant client accounts to be suspended and/or terminated.

The new anti-money laundering procedures were adopted on August 2015, and no similar incidents have recurred since then.

**Area of concern:**

3. Margin control

**Background facts:** As part of its client service, Excalibur Global HK would arrange intra-day loan from Smart Day for its client which may sometimes resulted in a negative equity balance if clients failed to repay the loan within the day. Further, after considering the creditability and the background of a client, Excalibur Global HK may allow certain clients to open new positions even if they fail to meet existing margin calls promptly within the same day.

We did not incur any actual loss as a result of such internal control deficiency during the Track Record Period.

**SFC comments:** The SFC found the above practice was not in compliance with paragraph 3.6 of the Code of Conduct which requires a licensed corporation to collect promptly from clients any amounts due as margin. The SFC further found that Excalibur Global HK had failed to keep sufficient margin call records, inconsistent with prudent risk management practices.

**Background facts:** Due to the limitation of the computer system which only allowed the input of one maintenance margin rate, in the past Excalibur Global HK could not accurately set the maintenance margin rates used for the non-HKFE products which might have different maintenance margin rates. We did not incur any actual loss as a result of such internal control deficiency during the Track Record Period.

**SFC comments:** The SFC took the view that, given that it was unable to accurately set maintenance margin rates for non-HKFE products, Excalibur Global HK's maintenance margins with overseas execution brokers for certain non-HKFE products were incorrectly calculated and this has prejudiced its ability to determine the adequate amount of margins to be collected from clients.

**Potential risk associated with the relevant incidents and revenue contribution of the relevant trades or transactions during the Track Record Period:** By not having collected sufficient margin from client, we may be exposed to financial risks and we may suffer loss as a consequence of the client's defaults or changing market conditions. The non-compliance had no impact on the revenue generated from the relevant trades and transactions because the maintenance margin was used to determine whether a margin call was required to be issued to our clients, therefore such margin had no revenue impact on the underlying trade made.

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### *Rectification actions:*

- (i) To improve its risk management practice, Excalibur Global HK adopted a new margin control policy and documentation requirements on 3 August 2015, where:
  - (a) all negative equity balance dealings are prohibited unless there is written approval from two members of senior management before it commences; In general, we will take into consideration the following in granting such approval: (I) whether the aggregate balance among all of the accounts held by the same client with us has a positive balance; (II) whether the negative balance occurred during non-banking hours and public holidays and the client has a clean trading history and provides confirmation that he will deposit funds when banking services are available; and (III) the client has family members, who also hold accounts with us that are in positive balance, are willing to transfer funds into the client's account as soon as practicable;
  - (b) where clients failed to maintain necessary maintenance margins during a particular trading day, the responsible officer and settlement staff should make an immediate intra-day margin call against these clients to ensure the deficit is sufficiently covered and record all details in the margin call report. At each day end, the report will then be passed to the managing director of Excalibur Global HK for review. The staff will freeze the relevant clients' account and they will not be permitted to conduct any trade if the client is unable to deposit money to cover the negative balances within the following day; and
  - (c) Excalibur Global HK's responsible officer is responsible for recording all details of margin calls generated daily. The report is then passed to its managing director for review at each month end. The operations department is responsible for following up on margin calls. The operations department would inform the responsible officer for further actions if a client is unable to fulfil the margin call within the following day. Details of the intra-day margin call is also recorded. The records will be kept by the company for 7 years;
- (ii) Smart Day Capital has ceased to provide any intra-day loan financing to clients of Excalibur Global HK since November 2015;
- (iii) Excalibur Global HK has established past default payment records to facilitate client credit risk monitoring; and
- (iv) in order to correctly calculate the margin amounts collected from clients, Excalibur Global HK has requested its back office system service provider to update its system for reflecting the actual initial margin and maintenance margin required by its overseas execution brokers. Excalibur Global HK has also confirmed with its overseas execution brokers to ensure that margin rates of non-HKFE products have and will be correctly stated.

The new margin control policy and documentation requirements were adopted on 3 August 2015. No similar incidents have occurred since then.

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*Area of concern:*

4. Handling of client assets/accounts

**Background facts:** Due to computer system limitation, Excalibur Global HK did not maintain segregated accounts for holding client money for HKFE trades and non-HKFE trades. Further, the client's credit balance in non-HKFE trade accounts could be used to offset the debit balance or meet the margin requirements of its HKFE trade accounts or vice versa.

**SFC comments:** The SFC considered that Excalibur Global HK was in breach of the client money segregation requirement under the Code of Conduct and this led to a wrong calculation of margin requirements for clients in respect of HKFE products. The SFC was also concerned that Excalibur Global HK might use invalid standing authority or written instructions forms for handling client money arising from its observations set out in "6. Others" below. Details can be referred to "6. Others" below.

**Potential risks associated with the relevant incidents and revenue contribution of the relevant trades or transactions during the Track Record Period:** We may be exposed to financial risks by wrong calculation of margin requirements. The non-compliance had no real impact on the revenue generated from the relevant trades and transactions because Excalibur Global HK always had the standing authority from its clients to switch funds between their HKFE accounts and non-HKFE accounts to facilitate their trading regardless of whether the HKFE accounts or the non-HKFE accounts were segregated or not. The segregation requirement is more relevant to the calculation of the day-end balance of the HKFE accounts and non-HKFE accounts which had no revenue implication.

We did not incur any actual loss as a result of the internal control deficiency during the Track Record Period.

**Rectification actions:** Excalibur Global HK ceased to allow any offsetting transaction between HKFE and non-HKFE trading accounts since January 2016. Its computer system has been adjusted to prohibit such offsetting between accounts. To ensure compliance with the segregation requirement, at each day's end, the accounting department of Excalibur Global HK manually computes the client monies in each currency instead of aggregating them so that the monies of HKFE trading accounts (in HKD) and the monies of non-HKFE trading accounts (in foreign currencies) will not offset each other. The system control prohibiting any offsetting was implemented in January 2016 and no similar incidents have recurred since then.

*Area of concern:*

5. Computation of liquid capital

**Background facts:** Under the FRR, a licensed corporation shall generally include in its liquid capital for calculation of satisfaction of FRR requirements: (i) cash held in hand or deposited with authorised institutions; and (ii) part or all amounts receivable from any securities dealer arising from the sale of securities which are outstanding for no more than one month.

During the period between January to April 2015, Excalibur Global HK delayed in transferring cash (in the amount of HK\$2.4 million) arising from proceeds from the sale of listed securities in its securities account held with Phoenix Capital Securities Limited, a SFC registered securities dealer ("**Phoenix Capital**"), back to its own bank account. This has led the above cash held with Phoenix Capital to be excluded from calculating liquid capital for satisfying FRR requirements.

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As Excalibur Global HK had continued to treat the above cash held under its securities account with Phoenix Capital as liquid capital, the SFC formed the view that it incorrectly included HK\$2.4 million of its house money kept with Phoenix Capital as liquid capital (which led to an overstatement in its liquid capital) and a deficit of around HK\$186,000 in liquid capital for FRR purposes.

We did not incur any actual loss as a result of such internal control deficiency during the Track Record Period.

**Potential risks associated with the relevant incidents and revenue contribution of the relevant trades or transactions during the Track Record Period:** The wrong calculation of liquid capital may constitute a breach under the FRR and subject the Group to possible disciplinary actions. The non-compliance did not relate to clients' trades or transactions.

**Rectification actions:**

- (i) Excalibur Global HK rectified the non-compliance by transferring the said sum of HK\$2.4 million to its bank account upon notice of such non-compliance; and
- (ii) to avoid recurrence of such non-compliance, we have established a policy that any extra cash held by us with securities companies will be transferred to our bank account immediately without delay. Further, our Group further enhanced its internal control measures in August 2015, particularly, Mr. Poon, our executive Director and chief executive officer, will review the financial report daily to ensure Excalibur Global HK's compliance with the FRR at all times.

The enhanced internal control measures were adopted on August 2015, and no similar incidents have occurred since then.

**Area of concern:**

6. Others

**Observations from the SFC:** The SFC took the view that the above deficiencies in its documentation has led to failure by Excalibur Global HK to meet the requirements of the Code of Conduct.

- (i) **Record keeping:** During the inspection, Excalibur Global HK failed to provide certain client agreements to the SFC.

The SFC also noted that Excalibur Global HK failed to obtain and keep record of certain information from clients such as information relating to clients' financial backgrounds. The SFC formed the view that such failures constituted a breach of the Keeping of Records Rules and the Code of Conduct. We did not incur any actual loss as a result of such internal control deficiencies during the Track Record Period.

- (ii) **Licensing issues:** As an isolated incident, an RO ("**Unlicensed RO**") of another brokerage firm ("**Unlicensed Firm**") introduced several clients to Excalibur Global HK. These clients opened futures trading accounts with Excalibur Global HK and authorised the Unlicensed RO to operate their accounts as well as place orders with Excalibur Global HK. Excalibur Global HK later discovered that the Unlicensed Firm's application for type 2 license had been rejected by the SFC. Excalibur Global HK ceased accepting instructions from the Unlicensed RO immediately after it knew that Unlicensed Firm's application for type 2 license had been rejected.

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SFC formed the view that Excalibur Global HK had assisted or facilitated the Unlicensed RO and Unlicensed Firm in carrying out regulated activities without proper SFC licence. We did not incur any actual loss as a result of such internal control deficiencies during the Track Record Period.

***Potential risks associated with the relevant incidents and revenue contribution of the relevant trades or transactions during the Track Record Period:***

- (i) *Record keeping:* the non-compliance which related to procedural matters did not have any impact on the amount of revenue generated by our Group from the relevant clients.
- (ii) *Licensing issues:* Clients referred by the unlicensed RO generated a revenue of approximately HK\$2,242 during the Track Record Period.

***Rectification actions:***

- (i) *Record keeping:* Excalibur Global HK enhanced its procedural manuals to comply with the relevant record and information keeping rules and requirements in August 2015, and required its staff to strictly follow and comply with the enhanced procedures. In particular, hard copies of the agreements, forms and reports are now printed and stored in a designated place (our settlement office) with door lock for safe and proper keeping and avoiding unauthorised access. The enhanced procedures were adopted in August 2015, and no similar incidents have recurred since then.
- (ii) *Licensing issue:* As a matter of practice, Excalibur Global HK would normally allow accounts of a client to be operated by persons who were properly authorised agents of the client. However, Excalibur Global HK did not pay particular attention to the Unlicensed RO's identity as a licensed or registered person under the SFO in respect of the particular incident.

To prevent similar incidents from occurring in the future, Excalibur Global HK now requires its staff in the settlement department to perform additional checks on persons who are authorised to operate client accounts for a client and requires its clients to specify the reasons for authorising agents to operate its account on its behalf. Where the client represents that such a person is licensed with the SFC, the settlement department shall check the licensing status of such persons against the register of licensed persons/corporations kept by the SFC since August 2015.

The checking procedures were adopted in August 2015, and no similar incidents have occurred since then.



**III. Non-compliances in 2016**

Set out below are the details of the SFC's comments received by Excalibur Global HK in 2016:

**Area of concern:**

1. Computation of book balances for segregated accounts

**Background facts:** In carrying out the rectification measures relating to the segregation of accounts following the review by the SFC in July 2015, due to a time lag on the part of the staff in fully understanding the handling of client money transfers amongst different currency accounts under the new segregation mechanism, on 11 February 2016, the settlement staff wrongly computed the book balance of client monies, resulting in an overstatement of the book balances (as compared to the actual bank balances) of USD, EUR and JPY client monies accounts and an understatement of the book balance of client monies accounts (as compared to the actual bank balance) in other currencies. Excalibur Global HK reported the above incident to the SFC about six months later on 20 July 2016 as the staff of Excalibur Global HK were not familiar with the reporting requirement under the Securities and Futures (Client Money) Rules (the "CMR").

**SFC comments:** On 29 November 2016, the SFC issued a letter to Excalibur Global HK taking the view that the above incidents were in breach of section 4(4) of the CMR and section 11 of the CMR and urging Excalibur Global HK to ensure that the management and the responsible staff were conversant with the CMR requirements and to implement appropriate controls and procedures to ensure strict compliance with the CMR, including the reporting requirement under the CMR.

**Potential risk associated with the relevant incidents and revenue contribution of the relevant trades or transactions during the Track Record Period:** We may be exposed to possible disciplinary actions for the breach of the CMR. The non-compliance which related to procedural matters did not have any impact on the amount of revenue generated by our Group.

**Rectification actions:** Since 15 February 2016 after the above incident occurred, Excalibur Global HK has adopted additional controls and procedures listed below to avoid the reoccurrence of similar incidents:

- (i) further training was given to settlement and accounting staff regarding currency conversion and the regulatory requirements laid out in the CMR;
- (ii) a spreadsheet software to accelerate the process of currency conversion and enhance the accuracy of the calculation was developed by the accounting department of Excalibur Global HK; and
- (iii) the new requirement for all finalised clients' monies report and trust transfer calculation spreadsheets to be reviewed and approved by the managing director, Mr. Poon, was put in place.

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To address the SFC's concern about late reporting, Excalibur Global HK conducted additional training for its staff with regard to the CMR and the notification requirement laid out in the CMR and designed proper controls on the daily procedures to ensure our compliance with the CMR by (i) including and showing all reporting requirements under the CMR in the spreadsheet software used for the calculation of the balances of segregation accounts for the easy reference of the responsible staff, and (ii) daily reviewing the calculation of segregation account balances as well as the amount of liquid capital by Mr. Poon, the managing director of Excalibur Global HK, to check for incidents that are required to be reported to the SFC.

The above additional controls and procedures were adopted in February 2016, and no similar incidents have occurred since then.

**Area of concern:**

2. Placing of client money as excessive margin at execution broker

**Background facts:** Excalibur Global HK relied on ADMIS Hong Kong to carry out trading of LME products. Due to price movements in the market, it is not possible to calculate the exact margin level. Therefore, to avoid failure in meeting the margin requirement, Excalibur Global HK maintained client money with ADMIS Hong Kong as excess margin for cushioning. Such amount of client money maintained with ADMIS Hong Kong comprised (i) client money transferred to Excalibur Global HK's trading account at ADMIS HK for meeting potential initial margin requirements for the opening of new positions and (ii) sale proceeds retained in Excalibur Global HK's trading account at ADMIS HK arising from the closing out of clients' open positions.

**SFC comments:** Under section 5(1) of the CMR, client money shall either be paid to clients according to clients' instructions or to meet settlement or margin requirements. Under section 4(4) of the CMR, client money received in Hong Kong in a trading account should be made in accordance with written directions or standing authority from clients.

The SFC was of the view that the maintaining of client money with ADMIS Hong Kong as excessive margin cushioning other than meeting settlement and margin requirements was not in strict compliance with sections 5(1) and 4(4) of the CMR.

**Potential risk associated with the relevant incidents and revenue generated from relevant trades or transactions during the Track Record Period:** We may be exposed to possible disciplinary actions for the breach of the CMR. The non-compliance which related to procedural matters did not have any impact on the amount of revenue generated by our Group.

**Rectification actions:** In addressing the SFC's concern, Excalibur Global HK withdrew all client money representing the margin requirement held by ADMIS Hong Kong within two weeks from the last date on which all client positions on LME products in ADMIS Hong Kong were closed (with the unrealized gain arising from the closing out of positions which usually take three to nine months for LME to settle). As at June 2017, all client positions in ADMIS Hong Kong is closed and Excalibur Global HK has suspended its trading accounts at ADMIS Hong Kong.

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Further, to better manage counterparty risk involved in using execution brokers or overseas brokers and the risk of having excessive margin at execution brokers or overseas brokers, the following procedures have been in place since early 2016:

- (i) inspection of annual reports and financial information of the overseas brokers for annual assessment;
- (ii) assessment of the level of client money being held by overseas brokers at the end of every month with reference to the trading volume and initial margin requirement of the preceding month. Such assessment would be reviewed by two responsible officers, one involved in the dealings and the other would be the managing director of Excalibur Global HK.

The above procedures were adopted in early 2016, and no similar incidents have occurred since then.

### *Conclusion*

The Directors confirmed that all of the above non-compliances have been rectified. No further action has been taken by the SFC regarding the above incident about miscalculation of client money since the last reply from Excalibur Global HK on 13 December 2016 and as at the Latest Practicable Date. In light of the above, the Directors take the view that the aforementioned non-compliances have no significant financial impact or expected financial impact on our Group. The Joint Legal Counsels also opined that, after considering that (i) most of our Group's non-compliances are related to procedural matters and are not breaches of a serious nature; (ii) the non-compliances were unintentional and occurred due to inadvertent oversight by the management of our Group; (iii) our Group did not suffer any material loss or experience any adverse impact on its revenue as a result of the non-compliances; (iv) all non-compliances have been rectified; and (v) our Group has adopted internal control measures to avoid future breaches, the aforementioned non-compliances do not render our Group unsuitable for Listing.

### **Internal control deficiencies during the Track Record Period**

In addition, the SFC noted certain internal control deficiencies in a letter issued by it following its limited review of business activities of Excalibur Global HK in July 2015. A summary of the key areas of concern of the SFC in its review and our specific rectification actions is set out below.

Summary of the key areas of concern raised by the SFC in July 2015 and the Company's explanation and rectification actions taken are as follows:

<b><i>Area of concern:</i></b>	<b><i>Background facts:</i></b> In the past, solely associated with the intra-day financing arrangement with Smart Day Capital, in order to promptly handle clients' instructions for the repayment of the intra-day loans, Excalibur Global HK would arrange for its clients to sign pre-signed blank instructions from clients or relied on the standard standing authority clause in the client agreements to handle clients' money, e.g. to repay intra-day financing loans, to transfer their money from trust bank accounts to overseas brokers' accounts or to convert Hong Kong dollars into foreign currencies.
1. Deficiencies in client agreements, forms and statement of accounts of Excalibur Global HK	

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The SFC found that there was no specified validity period for pre-signed blank instructions and that standing authority under client agreements were not renewed annually in compliance with the requirements of the Client Money Rules. The SFC also spotted deficiencies on the discretionary account authorisation form which lacked (i) disclosure of the relationship of the authorised person with Excalibur Global HK; (ii) specific authorisation for more than two day trades of futures; and (iii) specific risk disclosure related to the operation of discretionary accounts as required under the Code of Conduct.

Further, the SFC noted deficiencies in the statements of account provided by Excalibur Global HK to its clients which failed to include certain information required by Contract Notes Rules.

In relation to its introducing broker (“IB”) business, the SFC spotted some deficiencies and misstatements in the IB client agreements, including: (i) a statement that incorrectly describes Excalibur Global HK as a participant of the Stock Exchange, (ii) there is no undertaking by Excalibur Global HK and the client to notify the other in the event of any material change to the information provided in the client agreement; and (iii) incorrect information about the place where such IB client agreements were signed.

We did not experience any actual loss as a result of such internal control deficiency during the Track Record Period.

***Potential risk associated with the relevant incidents and revenue contribution of the relevant trades or transactions during the Track Record Period:*** Using deficient document templates may constitute a breach of the relevant regulations and subject the Group to possible disciplinary actions.

The non-compliance which related to procedural matters did not have any impact on the amount of revenue generated by our Group from the relevant clients.

***Rectification actions:*** Excalibur Global HK consulted external advisers and amended and adopted revised documents (including new standing authority form, discretionary account authorisation form, statements of account and the IB client agreements) in August 2015 which comply with the relevant rules and requirements. Where applicable, Excalibur Global HK also worked with its external advisers to address any inaccuracy or deficiency. Further, Excalibur Global HK also ceased the practice of using pre-signed blank instructions after it ceased the intra-day loans arrangement with Smart Day Capital.

The revised documents were adopted in August 2015. No similar incidents have recurred since then.

*Conclusion*

The aforementioned deficiencies related mostly to procedural matters and therefore did not have any impact on the revenue recognised by the Group during the Track Record Period. Further, all of such deficiencies were rectified. After reviewing the submissions and rectification measures adopted by our Group, the SFC issued a letter dated 5 February 2016 confirming that it has no further comments. In relation to the deficiencies, no penalties or sanctions have been imposed by the SFC and no actions were pending as at the Latest Practicable Date. In light of the above, the Directors take the view that the aforementioned deficiencies have no significant financial impact or expected financial impact on our Group. Our Group has also engaged the IC Consultant to monitor our Group's internal control measures and prevent recurrence of the abovementioned deficiencies in the future. The Joint Legal Counsels also opined that, after considering that (i) most of our Group's deficiencies are related to procedural matters and are not breaches of serious nature; (ii) the deficiencies were unintentional and occurred due to inadvertent oversight by the management of our Group; (iii) our Group did not suffer any material loss or experience any adverse impact on its revenue as a result of the deficiencies; (iv) all deficiencies have been rectified; and (v) our Group has adopted internal control measures to avoid future breaches, the aforementioned deficiencies do not render our Group unsuitable for Listing.

**Internal control measures to prevent the recurrence of non-compliance and deficiencies incidents**

Our Group engaged an independent consulting firm (the “**Internal Control Consultant**”) in June 2016 to conduct an evaluation of our internal control systems and to review, amongst others, our management of business operations, finance, human resources and IT risks and to review and follow up on the effectiveness of our enhanced internal control measures, including key processes as referred to in our previous non-compliance.

Based on the Internal Control Consultant's review and recommendations, our Group implemented enhanced measures and adopted policies to improve its internal control systems in August 2016, to prevent future non-compliance and deficiencies incidents, and to ensure its compliance with the GEM Listing Rules and relevant Hong Kong laws. It has also formulated certain rectification plans in order to address any outstanding internal control deficiencies identified by the Internal Control Consultant.

The Internal Control Consultant performed a follow-up review in August 2016 and a further limited follow-up review (on specific rectification matters) in March 2017. Following such reviews, all the relevant deficiencies were either rectified in full or have been remedied to the extent the risk exposure to the Group is not material.

Further, in order to continuously improve our Group's corporate governance and to prevent recurrence of the abovementioned non-compliances and deficiencies incidents in the future, our Group has adopted following measures:

- (i) all previous practices of Excalibur Global HK (such as fund transfers between client accounts without management approval and offsetting between HKFE and non-HKFE account) which were questionable under applicable laws and regulations had been ceased and/or rectified;

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- (ii) a comprehensive review of the internal control procedures of Excalibur Global HK has been completed, and following such review, all its material internal control procedural manuals and policies have been updated;
- (iii) our senior management and staff were provided with our updated manuals, policies as well as adequate training, and going forward, we will continue to provide them with adequate training (with assistance from external advisers and consultants where necessary) and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time;
- (iv) further to responsible officers, we have designated compliance officers to assist our senior management and the Board to identify, assess and manage the risks associated with compliance of laws and regulations applicable to our Group. In addition to the two existing compliance officers, we plan to after Listing engage a third compliance officer who is qualified and experienced in internal controls and financial reporting matters to provide independent oversight of our internal control procedures and measures. All of our compliance officers will report to the Board on a timely basis of any potential non-compliance incidents and deficiencies identified by them and, if necessary, consult external professionals for advice;
- (v) we will retain qualified legal counsel where necessary to advise our Group from time to time on legal and regulatory compliance matters;
- (vi) we have established an audit committee comprising three independent non-executive Directors whose primary duties include providing our Directors with an independent review of the effectiveness of our financial reporting process, internal control and risk management system of our Group, overseeing the audit process, providing advice and recommendations to the Board on the appointment, reappointment and removal of external auditors and other duties and responsibilities as assigned by our Directors. We have prepared written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code and Corporate Governance Report as set forth in Appendix 15 of the GEM Listing Rules; and
- (vii) our management has implemented a risk management policy to address various potential risks identified in relation to its operations. Our risk management policy sets forth procedures to identify, analyse, categorise, mitigate and monitor various risks. Our Board is responsible overseeing risk management and assessing and updating its risk management policy.

There are no similar incidents which have occurred since the implementation of the enhanced internal control measures. Our Directors are of the view that the above arrangements will enable our Group to ensure our compliance with the legal and regulatory requirements in the future. Based on the above, the Joint Legal Counsels also opined that the aforementioned measures to rectify the non-compliances and deficiencies incidents and the precautionary measures to prevent the recurrence of such incidents in the future were effective.

**Compliance regarding anti-money laundering (“AML”) and counter-financing of terrorism (“CFT”) issues**

In addition to the above remedial measures relating to identified non-compliance and deficiencies issues, our Group places particular emphasis on combating AML and CFT activities in its trading businesses and operations and has engaged an independent consulting firm (being a reputable international auditing firm not associated with our Group’s auditors) to assist Excalibur Global HK in implementing and adopting effective internal control systems and adopting enhanced measures and policies to mitigate AML and CFT risks. The recommendations of such independent consulting firm have been fully taken up by our Group to ensure compliance with relevant requirements of the SFC. Further, the relevant systems and policies have been further reviewed by:

- (i) the Internal Control Consultant in their review and follow-up review of overall internal control measures in June and August 2016 respectively, as described above; and
- (ii) Mr. Cheung Ka Li, Gary, the independent compliance officer of Excalibur Global HK (who is experienced in legal and compliance and had been the head of compliance at various SFC licensed entities) was recently engaged to, among others, review, test and monitor the effectiveness of control procedures relating to AML and CFT,

and in each case, no exceptions or deficiencies relating to the relevant systems and policies had been found.

In particular, our Group has in place the following enhanced internal control measures to address the key areas of concern of the SFC as set out in the “*Circular to Licensed Corporations and Associated Entities — Anti-Money Laundering/Counter Financing of Terrorism (“AML/CFT”) Compliance with AML/CFT Requirements*” issued by it on 26 January 2017 (the “**AML Circular**”):

**(i) *failure to carry out proper institutional risk assessment***

The SFC is concerned as it observed that some licensed corporations have failed to (a) consider and identify AML and CFT risks as part of their institutional risk assessment process; (b) use relevant available data in such processes to aid in their analysis of vulnerability to relevant AML or CFT risks; and (c) keep sufficient documentation in respect of risk assessments performed.

To address such concerns, Excalibur Global HK has established and adopted an *AML/CFT Institutional Risk Assessment Manual* which requires its independent compliance officer (who also acts as one of its money-laundering reporting officer (“**MLRO**”)) to perform institutional risk assessment once every 2 years as well as upon the occurrence of certain prescribed events (such as significant change in business operations, regulatory environment, customer base or other significant events). Such institution risk assessment involves:

- (a) identification and assessment of inherent risks associated with its operations and commensurate with its business profile, with consideration given to factors such as:
  - products and services offered (for example, to assess the extent to which certain products or services are vulnerable to AML or CFT abuse);

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- delivery or distributional channels (for example, to assess risks relating to the use of “non-face-to-face” account opening and their method of conducting transactions through the corporation);
  - types of customers and specific customer risks (for example, whether they are politically exposed persons (“PEP”) or on the cold shoulder list of the SFC);
  - geographical locations involved (for example whether the client’s residence, nationality/place of incorporation, or place of business or activities were carried out in jurisdictions which are sanctioned or linked to terrorist activities)
- (b) review of mitigation controls for identified AML and CFT risks and evaluating the effectiveness of control measures in mitigating such risks; and
- (c) identification of residual risks, if any, and assess on whether such residual risks are acceptable to the risk appetite of Excalibur Global HK; those which are unacceptable shall be addressed through additional mitigation controls.

The first institutional risk assessment pursuant to procedures set out in the *AML/CFT Institutional Risk Assessment Manual* has been completed by the independent compliance officer (who also acts as MLRO) in July 2017. No significant AML or CFT risks were identified following such assessment.

The results of the risk assessment (including risk factors identified and assessed, information sources taken into account, evaluation made on the adequacy and appropriateness of the AML/CFT systems) were detailed in a *AML/CFT Risk Assessment Report* which, together with all relevant supporting documentation, will be kept for at least seven years.

***(ii) failure to provide adequate internal guidance to staff and perform compliance monitoring to ensure the effectiveness of AML/CFT systems***

The SFC is concerned that some licensed corporations had failed to (a) provide adequate and sufficiently detailed internal guidance to staff to carry out AML or CFT policies and procedures (for example, failing to specify what constituted a trigger event for initiating a review of customer records to ensure that they are up-to-date or relevant, or when to demand production of updated certificate of incumbency); and/or (b) perform regular reviews to test the operating effectiveness of AML or CFT systems by compliance and audit functions of the corporation.

To provide adequate internal guidance to our staff on AML and CTF policies and procedures, our Group has:

- (a) clearly set out in its AML & CTF Policy circumstances and events (such as reactivation of dormant account) which would trigger the initiation of review of customer records as well as detailed procedures required to be performed in such review;
- (b) clearly set out in the AML & CTF Policy requirements regarding the obtaining of updated and certified certificates of incumbency for verification of overseas incorporated corporate customers; and



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- (c) clearly defined general training requirements and standards (in respect of timing, frequency and content) applicable to all new and existing staff to ensure that they are familiar with the AML & CTF Policy as well as other related policies and procedures. In particular, internal training will be conducted on a periodic basis (at least annually) and proper training records will be maintained.

To ensure the effectiveness of AML/CTF systems, our Group has adopted an *AML Compliance Review Plan* (the “**AML Plan**”) which requires periodic reviews (either annually or bi-annually as prescribed therein) to be performed on the effectiveness of AML and CTF systems from the perspectives of, among others:

- (a) management oversight of the board and compliance committee and whether action points were resolved in a timely manner;
- (b) customer due diligence (including sample check of client account opening documentation and assessment of compliance of account opening procedures and documents with AML & CTF requirements);
- (c) transaction monitoring (including review of JFIU reported cases and watchlist cases);
- (d) AML & CTF policy and procedures to ensure alignment with applicable regulatory requirements; and
- (e) sufficiency of AML & CTF training.

Any deficiencies identified by such compliance review will be discussed and followed up on in the regular senior management meetings.

Our Group also intends to establish an internal audit function upon the Listing which will be responsible for, among others, identifying and reporting to the Audit Committee in respect of any departure from approved AML/CTF policies, practices and procedures of the Group.

***(iii) deficiencies in the implementation of certain customer due diligence and ongoing monitoring measures***

The SFC is concerned with the deficiencies of certain licensed corporations in their practice of certain customer due diligence and ongoing monitoring measures. In particular, the SFC was concerned with (a) their failure to properly assess customers’ AML/CTF risk level and differentiate customers presenting higher risks due to over-simplification of assessment; (b) their failure to identify source of wealth and funds of high risk customers by making reasonable enquiries using risk-based approach; (c) ineffective or inadequate procedures adopted for identifying and assessing risks posed by PEPs; and (d) misapplication of circumstances where simplified customer due diligence procedures may be used for account opening.

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In order to address such concerns, Excalibur Global HK has adopted the following measures:

- (a) to enhance customer risk assessment, a new customer risk assessment methodology has been adopted since August 2016 which requires the assessment to take into account a comprehensive list of risk factors and indicators (such as whether the customer or beneficial owner is an offshore company with bearer shares, or where the account is requested to be held anonymously or through a fictitious name) when rating the risk level of each customer, and such customer risk assessment has been completed for all existing customers (except for the dormant/inactive accounts);
- (b) to identify source of wealth and source of funds of high risk customers, enhanced customer due diligence is required to be conducted for all high risk customers. Further, AEs are required to make reasonable enquiries (with the assistance of compliance staff where necessary) and request documentary proof. In addition, deposits and payments by customers are only accepted by prescribed methods (such as personal cheques, wire transfer from known persons, or using Clearing House Automated Transfer System (CHATs)) except with approval of senior management;
- (c) to identify and assess risk exposures to PEPs, name screening shall be performed using the Dow Jones Factiva system database (which is widely used by the financial services industry) before the establishment of a business relationship or transacting with a customer. Our Group has performed PEP screening, as well as media search on its existing customers and none of the customers were PEP/PEP related as of 30 June 2017; and
- (d) in relation to the use of simplified customer due diligence procedures for account opening, simplified customer due diligence is only applicable to corporate customers in certain acceptable jurisdictions. Currently, our Group does not have any corporate customer whose account is active or where simplified customer due diligence had been used. Our Group has however clear guidelines on circumstances where simplified customer due diligence procedures may be used and we will take into account the measures stipulated in the AML Circular when simplified customer due diligence is applicable in the future.

*(iv) inadequate monitoring, evaluation and reporting of suspicious transactions*

The SFC is concerned with inadequate monitoring, evaluation and reporting of licensed corporations in respect of suspicious transactions. In particular, the SFC was concerned with (a) the MLRO failing to take an active role in the identification of suspicious transactions; (b) the inadequate monitoring of red-flags which indicate potentially suspicious transactions; (c) the inadequate measures in place to evaluate the reasonableness of third party payments; (d) the failure to properly document jurisdictions for disposal of suspicious transactions alerts; and (e) the failure to review business relationships to mitigate the risk of suspicious transaction following reporting to JFIU.

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To address the SFC's concerns, Excalibur Global HK has in place the following measures:

- (a) adopted a new transaction monitoring system in November 2016 which is designed to detect suspicious activities, transactions and "red-flags" which has been clearly defined (such as large deposits and payments; frequent, high volume or aggregated fund flows and transfers in excess of limits or expectations; accounts without trade transactions; deposits followed by quick buy, sell and transfer etc.). All such activities and transactions are monitored on a timely basis and the monitoring system and criteria of "red flags" will be reviewed by the MLRO on a periodical basis;
- (b) in respect of cash transactions and third party payments, our Group generally discourages such transactions through the use of client accounts given the perceived higher AML and CFT risks. As such, such transactions are restricted except in prescribed circumstances and where the approval of senior management has been obtained; and
- (c) where a suspicious transaction has been reported to the JFIU, the approval of senior management would be required for maintaining a business relationship with the relevant customer and the customer would be rated as high risk and be subject to enhanced monitoring with more stringent transaction monitoring parameters. Where necessary, the activities of the client through accounts opened with us will be restricted.

In addition to the above, our Group is committed to establishing good practices described in the AML Circular. To achieve this aim, in addition to the control measures explained above, our Group shall hold senior management meetings regarding AML/CFT compliance on a quarterly basis and minutes of these meetings will be documented and kept.

Our group is committed to maintain a robust AML/CFT control system on an ongoing and continuing basis. Our Directors are of the view that the Group's existing control measures could adequately address the SFC's concerns set out in the AML Circular and will ensure our Group's continuous compliance with all applicable AML/CFT laws and regulations.

### **View of our Directors and the Sponsor**

Our Directors consider that the abovementioned non-compliance incidents and deficiencies findings would not affect the suitability of our executive Directors under Rules 5.01 and 5.02 of the GEM Listing Rules or the suitability of listing our Company under Rule 11.06 of the GEM Listing Rules and that the various internal control measures adopted by our Group are adequate and effective having taken into account that:

- (i) our Group has fully rectified all of the non-compliance incidents and deficiencies findings, where applicable, to the satisfaction of the SFC;
- (ii) our Group has implemented (or will implement where applicable) all the rectification measures set out above to avoid recurrence of the non-compliance incidents and deficiencies;

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- (iii) as far as our Directors are aware, there has been no recurrence of similar non-compliance and deficiencies incidents and deficiencies findings since the implementation of such measures;
- (iv) following the review and follow-up review by the Internal Control Consultants, our Directors are of the view that there are no material deficiencies or inadequacies in our internal control systems;
- (v) the non-compliance incidents and deficiencies findings were unintentional, did not involve any dishonesty or fraudulent act on the part of our Directors, and did not raise any question as to the integrity of our Directors; and
- (vi) based on the above, the Joint Legal Counsels opined that the abovementioned non-compliance incidents and deficiencies findings did not raise any question as to the integrity of our executive Directors.

The Sponsor, after considering the above and having reviewed the internal control measures, concurs with the views of our Directors that (a) the various internal control measures adopted by our Group are adequate and effective; and (b) the abovementioned non-compliance incidents and deficiencies findings would not affect the suitability of our Directors under Rule 5.01 and Rule 5.02 of the GEM Listing Rules and the suitability of our Company under Rule 11.06 of the GEM Listing Rules.

# DIRECTORS, SENIOR MANAGEMENT AND STAFF

## DIRECTORS AND SENIOR MANAGEMENT

The following table sets out certain information concerning our Directors:

Name	Age	Position	Roles and principal responsibilities	Date of first joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
<b>Executive Directors</b>						
Poon Kwok Wah, Allan (潘國華)	56	Executive Director, chairman of our Board and chief executive officer of our Company	Responsible for the overall strategic planning, business development and operational management of our Group; serving as the authorised representative, the compliance officer and the chairman of the Nomination Committee; acting as responsible officer in respect of regulated activities	September 2000	Appointed as Director on 13 July 2016 and redesignated as executive Director on 15 February 2017	Nil
Chan Ying Leung (陳應良)	50	Executive Director	Responsible for providing advice on formulating overall corporate and business strategies of our Group; serving as the authorised representative	January 2001	Appointed as Director on 13 July 2016 and redesignated as executive Director on 15 February 2017	Nil
Lee Mei Chun (李美珍)	55	Executive Director	Participating in formulating the corporate business strategies and making major operational decisions of our Group; serving as the compliance officer; acting as responsible officer in respect of regulated activities	May 2001	Appointed as executive Director on 15 February 2017	Nil
<b>Independent non-executive Directors</b>						
Chin Kam Cheung (錢錦祥)	60	Independent non-executive Director	Performing the role as independent non-executive Director; responsible for supervising and providing independent judgment to our Board; serving as the chairman of the Audit Committee and a member of the Remuneration Committee; advising on corporate governance matters	December 2017	Appointed as independent non-executive Director on 19 December 2017	Nil

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name	Age	Position	Roles and principal responsibilities	Date of first joining our Group	Date of appointment as Director	Relationship with other Directors and senior management
Ang Wayne Wu-yee (洪武義)	47	Independent non-executive Director	Performing the role as independent non-executive Director; responsible for supervising and providing independent judgment to our Board; serving as the chairman of Remuneration Committee and a member of each of the Audit Committee and Nomination Committee; advising on corporate governance matters	December 2017	Appointed as independent non-executive Director on 19 December 2017	Nil
Siu Miu Man (蕭妙文)	60	Independent non-executive Director	Performing the role as independent non-executive Director; responsible for supervising and providing independent judgment to our Board; serving as a member of each of the Audit Committee, Remuneration Committee and Nomination Committee; advising on corporate governance matters	December 2017	Appointed as independent non-executive Director on 19 December 2017	Nil

The following table sets out certain information concerning our other senior management members:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Relationship with other Directors and senior management
Cheung Ngam (張岩)	44	Head of Information Technology	Responsible for managing our IT systems and infrastructure data centres	October 2011	Nil
Lo Wai Hang (羅偉恆)	32	Financial Controller and Company Secretary	Responsible for supervising the daily operations for both accounting and settlement departments and overseeing corporate secretarial practices and procedures of our Group	October 2015	Nil
Kwok Shu Tin (郭樹鈿)	66	Marketing Manager	Responsible for directing and developing marketing strategy, participating in the marketing activities and workshops/seminars of our Group	August 2007	Nil
Yu Kin Sing, Sting (余建升)	45	Head of Sales and Marketing	Acting as responsible officer, supervising daily futures and securities operations of our Group	January 2002	Nil
Wong Man Ting, Edwin (黃文廷)	31	Head of Settlement	Responsible for daily settlement and accounts handling; execution of trade input into back office system and reconciliation of trade input with responsible officers of Excalibur Global HK	January 2016	Nil

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Relationship with other Directors and senior management
Chow Cassie (周杞詩)	34	Human Resources and Administrative Manager	Responsible for administration and human resources functions within our Group, and interacting with various government and regulatory bodies which regulate the activities of our Group	May 2016	Nil

### DIRECTORS

Our Board currently consists of six Directors, comprising three executive Directors and three independent non-executive Directors. Our Board is responsible for, and has general powers, for the overall management and conduct of our Group's business.

The functions and duties of our Board include, but are not limited to, convening Shareholders' meetings, reporting the Board's work at the Shareholders' meetings, implementing resolutions passed at Shareholders' meetings, setting strategic directions of our Group, determining our business and investment plans as well as exercising powers, functions and duties as conferred by the Articles of Association of our Company.

We have entered into a service contract with each of our executive Directors and a letter of appointment with each of our independent non-executive Directors. Pursuant to our Articles of Association, the term of office of our Directors shall not exceed three years, renewable upon re-election and re-appointment. Each of the service contracts with our executive Directors is for an initial term of three years commencing from the Listing Date, renewable upon re-election and re-appointment and subject to the applicable provisions of the GEM Listing Rules and/or other applicable laws and regulations.

The biographies of our Directors are set out below:

#### Executive Directors

**Mr. POON Kwok Wah, Allan (潘國華)**, aged 56, was appointed as Director on 13 July 2016 and was then redesignated as executive Director, and appointed as the chairman of our Board and chief executive officer of our Company on 15 February 2017. He joined our Group in September 2000 as the general manager of Excalibur Global HK, our key operating subsidiary. Mr. Poon is responsible for the overall strategic planning, business development and operational management of our Group. He is also a compliance officer and an authorised representative of our Company and is a responsible officer of Excalibur Global HK responsible for supervising each of its regulated activities.

Mr. Poon has over 22 years of experience in the securities and futures brokerage business, which included leading business development as well as acting as a consultant in licensed corporations. Prior to joining our Group, Mr. Poon worked as an accountant in the audit department of Price Waterhouse (now known as PricewaterhouseCoopers) from November 1985 to August 1986. He then worked as an assistant assessor with the Inland Revenue Department from August 1986 to May 1989 where his responsibilities included the examination of tax returns and computation of tax assessments. Subsequently, he became an employee of the Stock Exchange between May 1989 and May 1991 and his

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

last position at the Stock Exchange was senior supervisor of the compliance/members' surveillance department. From May 1991 to December 1993, he joined Wong & Chan Certified Public Accountant as a partner where his responsibilities included maintenance and development of client relationships and carrying out accounting and audit work. He then became a financial controller of Megabase Securities Ltd, a company which mainly provide services in securities trading, between March 1994 and August 2000 where he was responsible for securities and futures dealing functions and where his duties included scrutinising accounts opening documentation, computing daily liquid capital as well as ensuring compliance with relevant rules and regulations.

Mr. Poon obtained his bachelor's degree with honours (accounting with computing) from the University of Kent, Canterbury in July 1985, and was admitted as an associate of The Chartered Association of Certified Accountants since November 1988. Mr. Poon has been an associate of the Hong Kong Institute of Certified Public Accountants since January 1989.

Mr. Poon was reprimanded by the SFC in July 2006 over the period when he was a responsible officer of Excalibur Futures Limited. For further details, please refer to the paragraph headed "Regulatory inspection, non-compliances and internal control deficiencies" in the "Business" section of this prospectus.

The Corporate Governance Code ("CG Code") provision A.2.1 stipulates that the roles of the chairman of the board and chief executive should be separate and should not be performed by the same individual. Mr. Poon is the chairman of our Board as well as the chief executive officer of our Group. Since Mr. Poon has been operating and managing our Group since 2000, our Board believes that it is in the best interest of our Group to have Mr. Poon take up both roles for the effective management and business development of the Group. Our Board believes that the current arrangement enables our Company to make and carry out decisions efficiently in light of the rapid changing business environment. Therefore, our Directors consider that a deviation from the CG Code provision A.2.1 is appropriate in such circumstance. To ensure and check the balance of power and authority on the Board, individuals with broad range of expertise and experience (including in areas including investment industry, accounting and finance and listed companies management) are on our Board as independent non-executive Directors to offer independent and differing advice and to monitor the operations of our Board.

**Mr. CHAN Ying Leung (陳應良)**, aged 50, was appointed as Director on 13 July 2016 and was then redesignated as executive Director on 15 February 2017. He has been a director of Excalibur Global HK, our key operating subsidiary, since December 2007. He is responsible for providing advice on the formulation of the overall corporate and business strategies of our Group. He is also serving as the authorised representative of our Company.

Mr. Chan possesses over 10 years experience in the securities and futures business in Hong Kong. Mr. Chan completed his secondary education in Hong Kong and was a self-employed securities trader up until 2005. Mr. Chan then served as the director of business development of Sun Hung Kai Securities Limited from March 2005 to December 2007.



## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Chan was a director of the following companies incorporated in Hong Kong before their respective dissolution:

Name of company	Intended nature of business	Means of dissolution	Date of dissolution	Reason for dissolution
Grand Superior Industrial Limited 盈展實業有限公司	Investment	Dissolved by deregistration under section 291AA of Predecessor Companies Ordinance	7 December 2001	No good investment opportunity had been identified by the directors of the company
Great Billion (China) Limited 億成(中國)有限公司	Investment	Dissolved by deregistration under section 291AA of Predecessor Companies Ordinance	30 January 2015	No good investment opportunity had been identified by the directors of the company
Lee Shing Hong Trading Company Limited 利成行貿易有限公司	Investment	Dissolved by deregistration under section 291AA of Predecessor Companies Ordinance	25 July 2003	No good investment opportunity had been identified by the directors of the company
Lee Shing Investment (International) Limited 利成投資(國際)有限公司	Investment	Dissolved by deregistration under section 291AA of Predecessor Companies Ordinance	25 July 2003	No good investment opportunity had been identified by the directors of the company
Smart Fund Securities Company Limited 俊利證券有限公司	Investment	Dissolved by striking off under section 291 of Predecessor Companies Ordinance	30 May 2003	No good investment opportunity had been identified by the directors of the company

Mr. Chan confirmed that (i) each of the companies mentioned above was inactive at the time of their respective dissolution; (ii) the dissolution of these companies did not result from any wrongful act, misconduct or misfeasance on his part; and (iii) the dissolution of these companies did not result in any liability or obligation being imposed against him.

**Ms. LEE Mei Chun (李美珍)**, aged 55, was appointed as executive Director on 15 February 2017. Ms. Lee is a responsible officer of Excalibur Global HK, our key operating subsidiary, and is responsible for supervising each of its regulated activities (including futures and derivatives trading business). Ms. Lee is also responsible for participating in the formulation of the corporate business strategies and making major operational decisions of our Group.

Ms. Lee completed her secondary education in Hong Kong in July 1982 and has since accumulated over 25 years of finance and risk management experience. Prior to joining our Group, Ms. Lee worked as a dealer at Wocom Commodities Limited (“**Wocom**”), a commodities trading brokerage, between May 1983 and May 1993. She was registered with the SFC as a commodities dealer throughout the period of her employment with Wocom.

From October 1993 to September 1996, she served as a dealer at Hantec Holdings Limited (“**Hantec**”) where she provided services in foreign exchange, options, futures and securities trading. She was registered with the SFC as a commodities dealer as well as a representative for carrying out leveraged foreign exchange trading throughout her employment with Hantec.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Ms. Lee then acted as a dealing director at Megabase Futures Co., Limited between October 1996 and March 2001 where she executed trades and responsible for the implementing and supervising the compliance of staff with in-house policies and regulations. She was a registered with the SFC as a commodities dealer during her employment with Megabase.

Ms. Lee became a director of Excalibur Global HK in May 2001 and has been a responsible officer since August 2007. Ms. Lee serves as the dealing director of Excalibur Global HK, responsible for the carrying out proprietary trading as well as supervising and providing training for all licensed staff.

### Independent non-executive Directors

**Mr. CHIN Kam Cheung (錢錦祥)**, aged 60, joined our Group and was appointed as an independent non-executive Director of our Company on 19 December 2017. His appointment as the chairman of the Audit Committee and a member of the Remuneration Committee will take effect on the Listing Date. Mr. Chin has over 30 years of experience in accounting, financial management and auditing profession industry. He is currently a practicing accountant in Hong Kong and has been serving as an independent non-executive director at Jiahua Stores Holdings Limited (a company listed on the Stock Exchange with the stock code: 0602) since April 2007.

Mr. Chin obtained his higher diploma in accountancy from the Lingnan College Hong Kong in November 1982. He is a fellow member of the Chartered Institute of Management Accountants since November 1993, and has been admitted as an associate of the Institute of Cost and Management Accountants since September 1986. Mr. Chin is currently a registered Certified Public Accountant with the Hong Kong Institute of Certified Public Accountants.

The following table summarises the working experience of Mr. Chin:

Name of company	Last held title	Principal business activities	Period	Role
WKK Industries Limited (currently known as WKK Technology Limited, a subsidiary of Wong's Kong King International (Holdings) Ltd, a company listed on the Stock Exchange with stock code: 0532)	Assistant General Manager — Finance	Manufacturing of electronic products	July 1988– October 1993	Management of finance, accounting and administration functions, implementation and execution of the company's expansions in Hong Kong and China.
S. Megga International Holdings Limited (currently known as CCT Land Holdings Limited, a company listed on the Stock Exchange with stock code: 0261)	Executive Vice President and Company Secretary	Manufacturing of electronic products	November 1993– January 1998	Overseeing the group's finance and accounting functions, formulation and implementation of internal control procedures, and budgetary control
Raymond S.W. Ho & Co.	Audit Assistant Manager then Audit Manager since April 2001	Certified Public Accountant	October 2000– May 2003	Carrying out audit and taxation engagements, supervising the audit team and carrying out company secretarial work

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name of company	Last held title	Principal business activities	Period	Role
Wing Shing International Holdings Limited (currently known as PetroAsian Energy Holdings Limited, a company listed on the Stock Exchange with stock code: 0850)	Company Secretary	Manufacturing of paint and solvents	September 2004– August 2005	Carrying out company secretarial work

Mr. Chin was a director of the following companies incorporated in Hong Kong before their respective dissolution:

Name of company	Intended nature of business	Means of dissolution	Date of dissolution	Reason for dissolution
Avio Holdings Limited 虹溢實業有限公司	Management services	Dissolved by deregistration under section 291AA of Predecessor Companies Ordinance	19 November 2004	Its business generated low service income
Heavio Holdings Limited 重溢實業有限公司	Investment	Dissolved by striking off under section 291 of Predecessor Companies Ordinance	15 March 2002	No good investment opportunities had been identified by the directors of the company

Mr. Chin confirmed that (i) each of the companies mentioned above was inactive at the time of their respective dissolution; (ii) the dissolution of these companies did not result from any wrongful act, misconduct or misfeasance on his part; and (iii) the dissolution of these companies did not result in any liability or obligation being imposed against him.

**Mr. ANG Wayne Wu-yee (洪武義)**, aged 47, joined our Group and was appointed as an independent non-executive Director on 19 December 2017. His appointment as the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee will take effect on the Listing Date. Mr. Ang has over 15 years experience in the assets management and investment industry. Mr. Ang joined the Pacific Harbour Group, an alternative investment manager that focuses on private debt and equity investments involving special situations in Asia and frontier emerging market, where he was appointed an associated director of Pacific Harbour Holdings (HK) Limited (formerly known as Amroc Investments Asia Limited) from 2002 to 2006 and the executive director of Pacific Harbour Advisers (HK) Limited over the period from 2006 to 2013. Over the period from September 2007 to April 2013, Mr. Ang was approved as the responsible officer of Pacific Harbour Holdings, Limited, a corporation licensed to carry out type 9 regulated activity in respect of its investment management regulated activities. Since April 2013, Mr. Ang has been a director at Clydesdale Advisors Limited, a company which advises on special situations private equity, energy arbitrage, real estate and fixed income where he is responsible for overseeing the business operation and investment strategies of the company.

Mr. Ang obtained his bachelor's degree of arts, major in psychology from the University of British Columbia in May 1995.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

**Mr. SIU Miu Man (蕭妙文)**, aged 60, joined our Group and was appointed as an independent non-executive Director on 19 December 2017. His appointment as a member of each of the Audit Committee, the Remuneration Committee, and the Nomination Committee will take effect on the Listing Date. He has over 25 years of managerial experience in various listed companies. The following table is a summary of Mr. Siu's working experience:

Name of company	Last held title	Principal business activities	Period	Role
Kam Wo Construction Co. Ltd. (a subsidiary of Daido Group Ltd., a company listed on the Stock Exchange with stock code: 0544)	Director	Manufacturing of construction and building materials, general construction and international trading operations	February 1991– July 1996	Responsible for the overall management of the company
Wang On Construction Engineering Limited (a subsidiary of Wang On Group, a company listed on the Stock Exchange with stock code: 1222)	Director	Property development, management and sub-licensing of Chinese wet markets and provision of finance	August 1996– July 1997	Responsible for the overall management of the company
Pearl Oriental Cyberforce Limited (currently known as Loudong General Nice Resources (China) Holdings Limited, a company listed on the Stock Exchange with stock code: 0988)	Executive director	Property development and investment	July 1997– April 2000	Responsible for the overall strategic planning, business development and operational management of the company
Vision Century Administration Limited (a subsidiary of Vision Century Corporation Limited and currently known as Gemdale Properties and Investment Corporation Limited, a company listed on the Stock Exchange with stock code: 0535)	General manager — residential and commercial group	Property investment, development and management of residential commercial and business park projects	May 2000– July 2004	Responsible for the property development of the company
RK Properties Holdings Limited (a subsidiary of Road King Infrastructure Limited, a company listed on the Stock Exchange with stock code: 1098)	Executive director	Investment holding	January 2005– January 2006	Responsible for the overall strategic planning, business development and operational management of the company
China Rise International Holdings Limited (currently known as Sustainable Forest Holdings Limited, a company listed on the Stock Exchange with stock code: 0723)	Executive director and chief executive officer	Manufacturing of home appliances and property development	February 2006– January 2008	Responsible for overseeing the management and operation of the company. Reporting to the board of directors of the company

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Name of company	Last held title	Principal business activities	Period	Role
Hsin Chong Property Development Limited (a subsidiary of Hsin Chong Holdings Group Limited, a company listed on the Stock Exchange with stock code: 0404)	Managing director	Property development	April 2012– August 2013	Responsible for the overall management and operations of the company
DBG Holdings Limited	Director	Developing and manufacturing of consumer electronic products	February 2013– present	Responsible for sales, finance and general management of the company
Asia Energy Logistics Group Limited (a company listed on the Stock Exchange with stock code: 0351)	Independent non-executive director	Railway construction and operations as well as shipping and logistics businesses	August 2016– present	Responsible for the provision of independent advice to the board of directors and make recommendations on the operations and management of the company
Sheung Yue Group Holdings Limited (a company listed on the Stock Exchange with stock code: 1633)	Independent non-executive director	Provision of foundation services including piling construction, ELS works, pile cap construction, site formation and ancillary services	October 2016– present	Responsible for the provision of independent advice to the board of directors and make recommendations on the operations and management of the company
Value Convergence Holdings Limited (a company listed on the Stock Exchange with stock code: 0821)	Independent non-executive director	Provision of financial services and products to clients in the Greater China region	October 2016– present	Responsible for the provision of independent advice to the board of directors and make recommendations on the operations and management of the company

Mr. Siu graduated from Wah Yan College in 1977 and obtained his higher diploma in building technology and management and an associateship in building technology and management from The Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in June 1980 and June 1983 respectively. He further obtained the degree of master of Science in e-commerce for executives from The Hong Kong Polytechnic University in June 2002. Mr. Siu has been an associate of the Chartered Institute of Arbitrators since November 1984, a professional associate of Royal Institution of Chartered Surveyors since January 1985, an associate of the Hong Kong Institute of Surveyors since March 1986 and a member of the Hong Kong Institute of Engineers since March 1989. He has also been an Authorised Person (List of Surveyors) since 1999, a Registered Professional Surveyor (General Practice Stream) since January 2002 and a Registered Professional Engineer (Building Stream) since May 2000. Mr. Siu has substantial managerial experience in administration, general management, commerce, finance, real estate development and the construction business.

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Mr. Siu was a director of the following companies incorporated in Hong Kong before their respective dissolution:

Name of company	Intended nature of business	Means of dissolution	Date of dissolution	Reason for dissolution
Allied Billion Enterprise Limited 億盟企業有限公司	Property investment	Dissolved by deregistration under section 291AA of Predecessor Companies Ordinance	21 December 2012	No good investment opportunity had been identified by the directors
Deventer Limited	Property investment	Dissolved by deregistration under section 291AA of Predecessor Companies Ordinance	16 May 2013	No good investment opportunity had been identified by the directors
Great Billion International Enterprise Limited 宏億國際企業有限公司	Property investment	Dissolved by deregistration under section 291AA of Predecessor Companies Ordinance	21 December 2012	No good investment opportunity had been identified by the directors
Henly Development Limited 恒業發展有限公司	Land investment	Dissolved by deregistration under section 291AA of Predecessor Companies Ordinance	7 September 2012	Completion of deals and no further good investment opportunity had been identified by the directors
Jomax Investments Limited 進明投資有限公司	Investment	Dissolved by deregistration under section 291AA of Predecessor Companies Ordinance	7 March 2003	No good investment opportunity had been identified by the directors
Shinney Development Limited 信軒發展有限公司	Land investment	Dissolved by deregistration under section 291AA of Predecessor Companies Ordinance	10 July 2009	Completion of deals and no further good investment opportunity had been identified by the directors

Mr. Siu confirmed that (i) each of the companies mentioned above was inactive at the time of their respective dissolution; (ii) the dissolution of these companies did not result from any wrongful act, misconduct or misfeasance on his part; and (iii) the dissolution of these companies had not resulted in any liability or obligation being imposed against him.

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

Save as disclosed in this prospectus, each of our Directors has confirmed that, having made all reasonable enquiries (i) there is no other matter concerning their respective appointments that needs to be brought to the attention of the Shareholders and the Stock Exchange; (ii) he/she has no interests in the Shares within the meaning of Part XV of the SFO; (iii) he/she is independent from, and is not related to, any other Directors, supervisors, members of the senior management, Substantial Shareholders or Controlling Shareholders; (iv) he/she does not hold any other position in our Company or any of our

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

subsidiaries; (v) he/she does not have any interest in any business which competes or may compete, directly or indirectly, with us; and (vi) there is no other matter which is required to be disclosed pursuant to Rule 17.50(2)(h) to (v) of the GEM Listing Rules.

Save as disclosed above, none of our Directors has held any directorship in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this prospectus.

### SENIOR MANAGEMENT

**Mr. CHEUNG Ngam (張岩)**, aged 44, joined our Group as Excalibur Global HK's Information Technology Manager since October 2011. Mr. Cheung has over 15 years of experience in the IT field in both Hong Kong and China. Mr. Cheung is mainly responsible for managing the overall operation and establishment of the IT systems and infrastructure, management and security resources both in-house and data centres engaged by Excalibur Global HK.

Mr. Cheung obtained the degree of bachelor of science in information technology from The City University of Hong Kong in December 1996.

Prior to joining our Group, Mr. Cheung was an engineer at Avid North Asia Limited, a company specialising in the development and distribution of digital media and newsroom automation system, from September 1996 to January 1998 where he was responsible for providing technical support to the company's customers. Subsequently, he was a software specialist at Compaq Computer Ltd., a company principally developing and supplying computers and related products and services from April 1998 to March 2000, where he was mainly responsible for providing UNIX related technical support for the company's customers. Immediately before joining our Group in 2011, he was an engineering director at Galactic Computing Corporation from April 2002, where he was responsible for overseeing and managing the IT team and research and development team located in Hong Kong and China.

**Mr. LO Wai Hang (羅偉恆)**, aged 32, has been Excalibur Global HK's Financial Controller since September 2016. Mr. Lo joined the Group in October 2015 and is mainly responsible for our Group's financial analysis and statement, implementing internal control procedures and preparing daily and monthly financial reports to regulatory bodies. He has over nine years of experience in financial accounting.

Mr. Lo obtained his degree of bachelor of business administration from the Hong Kong University of Science and Technology in 2007. He has been a member of the Hong Kong Institute of Certified Public Accountants since May 2011.

Prior to joining our Group in October 2015, he worked as an auditor at Baker Tilly Hong Kong Business Services Limited between September 2007 and January 2011 where he performed audit work in respect of listed and private companies in Hong Kong and China. Subsequently, he became a senior auditor at Deloitte Touche Tohmatsu between February 2011 and May 2013 and between March 2014 and February 2015 where he was responsible for (i) carrying out audit work in respect of listed and multinational companies in both Hong Kong and China; and (ii) preparing audited financial statements of listed companies.



## DIRECTORS, SENIOR MANAGEMENT AND STAFF

**Dr. KWOK Shu Tin (郭樹鈿)**, aged 66, has been a Self-Employed AE accredited to Excalibur Global HK as his principal since August 2007. He became employed as the Marketing Manager of our Group in February 2017 while at the same time keeping his engagement as a Self-Employed AE. Mr. Kwok, as our Marketing Manager, is mainly responsible for directing and developing marketing strategy, participating in the marketing activities and workshops/seminars of our Group. As a Self-Employed AE, Mr. Kwok refers clients to our Group and manages these clients in return for commissions generated from the trades carried out by his clients. He has over five years of experience in teaching futures trading related classes. Mr. Kwok also provides on-site training to his students as an Self-Employed AE as part of his clients management. He acted as an instructor at FQ Coaching Limited from February 2012 to December 2014.

Dr. Kwok obtained his Honorary Doctorate of Philosophy (Ph.D) — Business Management from York University, USA, in June 2008.

**Mr. YU Kin Sing, Sting (余建升)**, aged 45, has been Excalibur Global HK's Head of Sales and Marketing since August 2016. He joined our Group in January 2002 as the representative to our type 1 (dealing in securities) regulated activity and the responsible officer to supervise type 2 (dealing in futures contracts) regulated activity and is mainly responsible for supervising daily futures operations of our Group. Mr. Yu has over 15 years in securities industry. He finished his secondary education in Hong Kong in 1991.

**Mr. WONG Man Ting, Edwin (黃文廷)**, aged 31, joined our Group and has been Excalibur Global HK's Head of Settlement since January 2016. He is responsible for the daily settlement and accounts handling of our Group. Mr. Wong is also responsible for executing the input of trades into our back office system and reconciliation of the trade input with responsible officers of our Group, perform clearing and funding requirements and document filing. Further, Mr. Wong is responsible for assisting the Group's internal control and anti-money laundering activities.

Mr. Wong obtained his degree of bachelor of engineering from the University of New South Wales in 2010. Prior to joining our Group, Mr. Wong worked as a project engineer at the Dong Guan Leien Electronic Technology Co. Ltd. from December 2013 to September 2015 where he was involved with projects relating to security cameras. Subsequently, he was a sales engineer at Rainbow Force Plastic Products Co. Ltd., a manufacturer of plastic products, from 2011 to 2013 where he was responsible for contacting with clients and providing engineering support to clients.

**Ms. CHOW Cassie (周杞詩)**, aged 34, is the Human Resources and Administration Manager of Excalibur Global HK and joined our Group since May 2016. Ms. Chow is mainly responsible for administration and human resources functions within our Group, and is also responsible for interacting with various government and regulatory bodies which regulate the activities of our Group. She has over 10 years of experience in project management, as well as carrying out environmental assessment and due diligence work in the mining/natural resources development industry. Ms. Chow obtained a bachelor's degree in electrical engineering from the University of Western Ontario in June 2006. She obtained a project management certificate from the University of British Columbia in June 2008.

Prior to joining our Group in May 2016, Ms. Chow was a consultant at ERM Consultants Canada Ltd., a company principally providing services in areas of biological sciences, engineering and geosciences, socio-economic sciences, archaeology and cultural heritage, reclamation and mine closure planning from July 2008 to January 2016. She was principally responsible for remediation and



## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

reclamation of sites impacted by hazardous materials, and environmental mitigation measures. She was also responsible for conducting environmental assessments and environmental impact studies. Subsequently, she was a system engineering consultant at PCCW Solutions from August 2006 to July 2007, where her duties included project management for multiple large-scale infrastructure projects locally and overseas.

Save as disclosed above, during the three years preceding the Latest Practicable Date, none of our senior management members (i) held any directorships in any public companies whose securities are listed on any securities market in Hong Kong or overseas; or (ii) has any relationship with other Directors, senior management and Controlling Shareholders of our Company.

### **COMPANY SECRETARY**

Mr. Lo Wai Hang is the company secretary of our Company, responsible for overall secretarial matters of our Group. For his biographical information, please refer to the paragraph headed “Senior management” above in this section.

### **AUTHORISED REPRESENTATIVES**

Mr. Poon and Mr. Chan have been appointed as the authorised representatives of our Company under Rule 5.24 of the GEM Listing Rules on 15 February 2017. For their biographical information, please refer to the paragraph headed “Executive Directors” above in this section.

### **COMPLIANCE OFFICERS**

Mr. Poon and Ms. Lee Mei Chun have been appointed as the compliance officers of our Company on 15 February 2017. For their biographical information, please refer to the paragraph headed “Executive Directors” in this section.

### **BOARD COMMITTEES**

#### **Audit Committee**

Our Company established the Audit Committee pursuant to a resolution of our Directors passed on 19 December 2017 with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C3.3 and C3.7 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee will be to provide advice and recommendations to the Board on the appointment, reappointment and removal of external auditors; to review and supervise our financial reporting process and oversee the Group’s internal control systems to ensure their adequacy and effectiveness.

The Audit Committee currently consists of three members, namely Mr. Chin Kam Cheung, Mr. Ang Wayne Wu-yee, and Mr. Siu Miu Man, and Mr. Chin Kam Cheung was appointed as the chairman of the Audit Committee.

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### **Remuneration Committee**

Our Company established the Remuneration Committee pursuant to a resolution of our Directors passed on 19 December 2017 with written terms of reference in compliance with Rules 5.34 and 5.35 of the GEM Listing Rules. The written terms of reference of the Remuneration Committee was adopted in compliance with paragraph B1.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are, among others, to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; review performance based remuneration; and ensure none of our Directors determine their own remuneration. The remuneration of our Directors will be regularly monitored by the Remuneration Committee to ensure that the levels of remuneration and compensation are appropriate.

The Remuneration Committee currently consists of three members, namely Mr. Ang Wayne Wu-yee, Mr. Siu Miu Man and Mr. Chin Kam Cheung, and Mr. Ang Wayne Wu-yee was appointed the chairman of the Remuneration Committee.

### **Nomination Committee**

Our Company established the Nomination Committee pursuant to a resolution of our Directors passed on 19 December 2017 with written terms of reference in compliance with paragraph A5.2 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board on a regular basis; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors.

The Nomination Committee currently consists of three members, namely Mr. Poon, Mr. Ang Wayne Wu-yee and Mr. Siu Miu Man and Mr. Poon was appointed the chairman of the Nomination Committee.

## **REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**

The aggregate amount of compensation paid by us in FY2015, FY2016 and 1H2017 (i) to our Directors was approximately HK\$1,247,000, HK\$1,425,000 and HK\$725,000 respectively; and (ii) to our senior management was approximately HK\$1,021,000, HK\$1,685,000 and HK\$825,000 respectively.

Save as disclosed above, no other fees, salaries, housing allowances, discretionary bonuses, other allowances and benefits in kind and contributions to pension schemes were paid by our Group to our Directors during the Track Record Period. Our Directors had not waived any emoluments during the Track Record Period.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

Two, three and two of our Directors were our Group's five highest paid individuals for FY2015, FY2016 and 1H2017 respectively. The emoluments paid by us to the five highest paid individuals of our Group excluding our Directors during the Track Record Period were as follows:

	<b>FY2015</b>	<b>FY2016</b>	<b>1H2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,106	982	502
Retirement scheme contributions	48	36	18

During the Track Record Period, no remuneration has been paid to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as compensation for the loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

Annual Directors' fees and other emoluments expected to be paid by our Group for the financial year ending 31 December 2017 amount to approximately HK\$0.84 million.

### REMUNERATION POLICY

The Director's fee for each of our Directors is subject to the Board's review from time to time in its discretion after taking into account the recommendation of our Remuneration Committee. The remuneration package of each of our Directors is determined by reference to market terms, seniority, experiences, duties and responsibilities of that Director within our Group. Our Directors are entitled to statutory benefits as required by law from time to time such as pension.

Prior to the Listing, the remuneration policy of our Group to reward its employees and executives is based on their performance, qualifications, competence displayed and market comparable. Remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company. Upon and after the Listing, the remuneration package of our Directors and the senior management will, in addition to the above factors, be linked to the return to the Shareholders. The Remuneration Committee will review annually the remuneration of all our Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

### CORPORATE GOVERNANCE

Our Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Shareholders. To accomplish this, our Group will comply with the Corporate Governance Code (as set out in Appendix 15 to the GEM Listing Rules) as well as other applicable provisions of the GEM Listing Rules.

Our Company's corporate governance practices are based on principles and code provisions as set out in the CG Code in Appendix 15 to the GEM Listing Rules. Except for the deviation from CG Code provision A.2.1, our Company's corporate governance practices have complied with the CG Code.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### NON-COMPETITION

Each of our executive Directors and independent non-executive Directors has confirmed that none of them is engaged in, or is interested in any business which, directly or indirectly, competes or may compete with the business of our Group.

### COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, we have appointed Alliance Capital as our compliance adviser, pursuant to which Alliance Capital shall provide us with services including providing guidance and advice as to compliance with the requirements of the GEM Listing Rules and applicable laws, rules, codes and guidelines. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Group must consult with and seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under the GEM Listing Rules, is contemplated by our Group, including share issues and share repurchases;
- (iii) where our Group proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 17.11 of the GEM Listing Rules.

The term of appointment of Alliance Capital as our compliance adviser shall commence on the Listing Date and end on the date on which our Companies complies with Rule 18.03 of the GEM Listing Rules in respect of the financial results for the second full financial year commencing after the Listing Date, and such appointment shall be subject to extension by mutual agreement.

Under the terms of the compliance adviser agreement with Alliance Capital:

- (i) we have agreed to indemnify Alliance Capital for certain actions against it and losses incurred by it arising out of or in connection with the performance by Alliance Capital of its duties under the agreement; and
- (ii) we may terminate the appointment of Alliance Capital as our compliance adviser only if its work is of an unacceptable standard as determined under the GEM Listing Rules and the relevant laws and regulations or if there is a material dispute (which cannot be resolved within 30 days) over fees payable to it as permitted by Rule 6A.26 of the GEM Listing Rules. Alliance Capital will have the right to resign or terminate its appointment by service of a three-month notice to us if we materially breach the agreement.

## DIRECTORS, SENIOR MANAGEMENT AND STAFF

### STAFF

As at 30 June 2017, we had 18 full-time employees. None of our employees are unionised. The relationship and co-operation between our management and employees has always been good and this is expected to continue. There has not been any incidence of work stoppages or labour disputes which affected our operations.

We did not experience any significant fluctuations in the number of employees over the Track Record Period. The following table sets out the breakdown of our staff by functionality as at the Latest Practicable Date:

General management ( <i>Note 1</i> )	2
Accounting department	2
Settlement department ( <i>Note 1</i> )	2
Operations and marketing department ( <i>Note 2</i> )	6
IT department	2
Human resource and administration department	4
<b>Total:</b>	<b>18</b>

*Notes:*

1. Including one licensed representative
2. Including two licensed representatives and four Staff AEs

As a licensed corporation, Excalibur Global HK has two responsible officers to supervise each of its regulated activities. To service our clients, we have nine licensed representatives accredited to Excalibur Global HK, which includes four Staff AEs (who are full-time employees of Excalibur Global HK) and four Self-Employed AEs (who are remunerated on a commission basis). For further information regarding our staff and staff structure, please refer to the paragraphs headed “Business model — 1. Futures brokerage — Our staff structure” and “Our staff” in the “Business” section of this prospectus.

### Staff training

We believe that our staff are our most important asset. It is our policy to encourage the development and training of our staff in order to maximise their potential. We firmly believe that motivating our staff will help align their interests with ours which ultimately benefits our Group and enables both our staff and our Group to develop concurrently.

We provide training to staff to equip them with the relevant skills and knowledge necessary for their respective job functions. Accordingly, the nature of staff training that we provide varies with the function that may be performed by the relevant staff.

Our staff training can be classified into internal training and external training. Internal training of our staff involves on-the-job training (which may be provided during job induction, rotation and over their employment) and internal training sessions.

## **DIRECTORS, SENIOR MANAGEMENT AND STAFF**

In terms of external training, we encourage our staff to attend and sponsor our staff to attend external courses and seminars. In particular, we strongly encourage our staff to attend training sessions to keep them abreast of latest development of the relevant laws, rules and regulations

### **Staff recruitment policies**

Our recruitment policy is one which is designed to assist us to employ high quality staff through a transparent and fair process. Suitable candidates are sourced through public advertisement, network referrals as well as internal promotions, as appropriate. We will assess each applicant, through review of their resume as well as our interview process, based on factors including, among others, academic, professional and technical qualifications, relevant work experience, job knowledge and technical know-how and management experience (in respect of managerial positions). Suitable candidates will be offered employment based on merits and our assessment, and following approval by our human resources department and senior management.

### **Staff remuneration and benefits**

We aim to offer competitive remuneration to our staff, and consideration is given to market pay levels, pay trends as well as supply and demand in the labour market. The remuneration package of our staff includes a basic salary, allowances (including overtime and medical allowances) and discretionary bonuses. We make contributions to all mandatory provident funds for our staff under the applicable laws in Hong Kong.

## **RELATIONSHIP WITH CONTROLLING SHAREHOLDERS**

### **THE CONTROLLING SHAREHOLDERS**

On 27 October 2017, Mr. Poon and Mr. Chan entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, among other things, that they are parties acting in concert in respect of each of the members of our Group during the Track Record Period and will continue to be concert parties thereafter. Details of the Concert Parties Confirmatory Deed are set out in the paragraph headed “History, Reorganisation and corporate structure — Parties acting in concert” in this prospectus.

Immediately following completion of the Capitalisation Issue and the Share Offer (assuming that the Offer Size Adjustment Option is not exercised), by virtue of the Concert Parties Confirmatory Deed, Mr. Poon and Mr. Chan will be together interested in 72% of the issued share capital of our Company, with (i) Mr. Poon holding 36.0000075% of the total issued share capital of our Company on a standalone basis; and (ii) Mr. Chan holding 35.9999925% of the total issued share capital of our Company on a standalone basis. Mr. Poon and Mr. Chan will individually, as well as collectively, (by virtue of the acting in concert arrangement between Mr. Poon and Mr. Chan set out in the paragraph headed “History, Reorganisation and corporate structure — Parties acting in concert” in this prospectus which are confirmed and documented in the Concert Parties Confirmatory Deed) control more than 30% of the issued share capital of our Company. As such, they will be a group of Controlling Shareholders within the meaning of the GEM Listing Rules.

Both Mr. Poon and Mr. Chan are our executive Directors. For further information about each of Mr. Poon and Mr. Chan, please refer to the section headed “Directors, senior management and staff” of this prospectus.

Save as disclosed above, no other person will, immediately following the completion of the Share Offer and the Capitalisation Issue, be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

### **MR. CHAN’S INTEREST IN CHINA AF**

#### **Background of China AF**

China AF was incorporated on 3 August 2015 and has obtained the licence from the SFC to carry out type 6 (advising on corporate finance) regulatory activity since 1 February 2016. As at the date of incorporation, China AF was owned as to 70% by Mr. Chan (one of our executive Directors) and as to 30% by an Independent Third Party. On 4 August 2016, Mr. Chan transferred his entire shareholding interests in China AF to the said Independent Third Party. A change of name of China AF was registered with the Companies Registry in Hong Kong on 21 September 2017 and the company was no longer registered in the public register of licensed persons and registered institution of the SFC under the previous name of China AF since 27 September 2017.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### **Exclusion of China AF from our Group**

China AF was not included as part of our Group for the purpose of Listing because:

- (i) despite Mr. Chan having ownership of 70% of China AF prior to 4 August 2016, he was merely a passive investor and has never been a director of China AF and was never involved in its daily management because he has no experience in advising on corporate finance; and
- (ii) the principal business of our Group is materially distinct and different from the principal business of China AF. In particular:
  - (a) our Group had been principally engaged in the provision of futures and options broking and trading services since 1995, but it has never carried out the provision of corporate finance advisory services since its establishment. Conversely, China AF has only commenced its business of providing corporate advisory services since obtaining the relevant SFC licence in February 2016;
  - (b) our Directors confirm that our Group does not have any current plans to engage in conducting type 6 (advising on corporate finance) regulatory activities and our Directors (including Mr. Chan) are not aware of any intention of China AF to engage in the provision of futures brokerage services; and
  - (c) given their distinct businesses:
    - (I) there is no sharing of resources or interdependency in terms of administration, management, finance or working capital between China AF and our Group and they have distinctive target markets and clients; and
    - (II) it is unlikely that there will be any material overlap in stakeholders (including customers, service providers, investors and contractual counterparties), products, services or target markets between China AF and our Group.

Based on the public register of licensed persons and registered institutions of the SFC as at the Latest Practicable Date, China AF was not subject to any public disciplinary actions. Our Directors were not aware of any listing decisions or public sanctions against China AF based on a search on the SFC website. Further, Mr. Chan, as the controlling shareholder of China AF prior to 4 August 2016 confirmed that, to the best of his knowledge, China AF had not been the subject of any SFC investigation, claim, proceeding, disciplinary action or sanction.

### **Whether the Company would be able to meet the minimum cash flow requirement under GEM Rule 11.12A(1) if China AF was included in our Group**

Our Group had approximately HK\$47.0 million cash flow generated from operating activities in the ordinary and usual course of business before changes in working capital and taxes paid.

Based on the audited financial statements of China AF, China AF recorded positive operating cash flows before movements in working capital over the period from 3 August 2015 (date of incorporation) to 31 December 2016 in the amount of approximately HK\$0.9 million. If China AF was to be included



## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

in our Group, the cash flow generated from operating activities in the ordinary and usual course of business before changes in working capital and taxes paid for our Group would be approximately HK\$47.9 million and our Company would still be able to meet the minimum cash flow requirement under GEM Rule 11.12A(1).

### **Residual risk relating to the use of a similar tradename as China AF**

There is a residual risk that China AF may attempt to register a trademark bearing the words “Excalibur” or “駿溢” or in artistic style or combination which is materially similar to the trademark currently used by our Group, and any use of such trademark (if such registration is successful) or any improper use of our registered trademarks, may result in negative publicity to our Group. Our Group may also need to incur significant expenditure and management efforts to defend its use of its trademark. Please refer to the paragraph headed “Risk factors — Failure to adequately protect our intellectual property rights may have a material adverse impact on our business and results of operations” in this prospectus in relation to such residual risk.

However, our Directors are of the view that it is unlikely that the business of our Group will be confused with, or be affected by negative publicity (if any) relating to, China AF for the following reasons:

- (i) the principal business of our Group, being a licensed intermediary which arranges and executes trades relating to futures and options contracts for clients, is materially distinct and different from the principal business of China AF, which engages in the provision of corporate finance advisory services;
- (ii) the trademark of our Group has been registered with the Trade Mark Registry of Hong Kong and the trademark office of the PRC. As far as our Directors are aware, there is currently no other registered trademark in Hong Kong or the PRC (with registered classes of permitted uses) which is similar to that of our Group. As such, China AF would be effectively prevented from using or registering any trademark bearing the words “Excalibur” or “駿溢” or in artistic style or combination which is materially similar to the trademark currently used by our Group. To the extent attempts are made by third parties to use or imitate the trademark of our Group, or where our Group suffers any loss or damages as a result, our Group will take appropriate actions (including commencement of court proceedings if necessary) to defend the use by our Group of its trademark; and
- (iii) China AF changed its name on 21 September 2017 and its previous name was no longer registered in the public register of licensed persons and registered institutions of SFC since 27 September 2017.

Our Directors have confirmed that, in the event that our Group has become aware of any negative publicity regarding China AF in the future and there are reasons to believe that stakeholders in our Group (including investors) may be confused as to whether the relevant information is related to our Group or not, then (i) appropriate announcements, press releases and/or advertisements will be made to inform the market as to whether or not the relevant incidents are relevant to our Group; and (ii) our Board and senior management will discuss, depending on circumstances of the negative publicity, what further actions should be taken by our Group to protect our brand image and reputation.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### RULE 11.04 OF THE GEM LISTING RULES

None of our Directors, Substantial Shareholders and their respective close associates was, as at the Latest Practicable Date, interested in any business, which compete, or is likely to compete, directly or indirectly, with our businesses and which would otherwise require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

### INDEPENDENCE OF OUR GROUP FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect there will be any significant transactions between our Group and our Controlling Shareholders upon and after the Listing. Having considered the following factors, our Directors believe that our Group is capable of carrying in our business independently of, and without undue reliance on, our Controlling Shareholders and their respective close associates (other than our Group) after the Listing:

#### Management independence

Our Group's management and operational decisions will be made by our Board and senior management team, all of whom possess the requisite expertise and experience to lead our operations, implement our business plans as well as achieve our business objectives. Our Board consists of six members, comprising three executive Directors and three independent non-executive Directors. Two of our executive Directors are our Controlling Shareholders, but notwithstanding this, the Directors consider that our Board and team of management will be able to function independently because:

- (i) each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and the Shareholders as a whole (and not merely in the interest of the Controlling Shareholders) and does not allow any conflict between his or her duties as a Director and his or her personal interest;
- (ii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of our Board in respect of such transaction and shall not be counted in the quorum;
- (iii) the independent non-executive Directors will bring independent judgement to the decision making process of our Board; and
- (iv) our senior management is independent and possesses in-depth experience and understanding of the industry in which our Group is engaged.

On such basis, our Directors are satisfied that they are able to perform their roles and manage our business independently from our Controlling Shareholders after the Listing.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### **Operational independence**

Having considered that (i) we have established our own operational structure comprising individual departments, each with specific areas of responsibilities including accounting, settlement, operations, marketing, IT, human resources and administration; (ii) we have established a set of internal control procedures to facilitate the effective operation of our business; (iii) we have our own and independent access to service providers who are not related to our Controlling Shareholders and do not share our operational resources with our Controlling Shareholders; and (iv) all the registered trademarks and other intellectual property necessary or desirable for our business are registered in the name of our Group, our Directors consider that our Group's business operation does not rely on our Controlling Shareholders and our Group can operate independently from an operational perspective upon and after Listing.

Our Directors confirmed that our Group will not enter into any transaction with our Controlling Shareholders after the Listing that will affect our operational independence.

### **Financial independence**

Our Group does not rely on any financial assistance of any form from our Controlling Shareholders and is financially independent of our Controlling Shareholders. Our Group has its own accounting department and has established its own financial management and account systems and treasury functions. It has maintained its own bank accounts, makes its own tax filings as well as its own financial decisions according to our business needs.

Furthermore, it is expected that the financing needs of the Group following Listing will be satisfied by income generated from its ordinary course of business, the proceeds from the Listing, and where necessary, from capital raising activities on a stand-alone basis without reliance on our Controlling Shareholders.

For the reasons above, our Directors are of the view that our Group is capable of operating independently from the Controlling Shareholders from a financial perspective upon and after Listing.

### **Administrative independence**

Our Group has its own capabilities and personnel to perform all essential administrative duties and functions, including internal controls, accounting, invoicing and human resources without undue reliance or intervention from the Controlling Shareholders. Our Directors believe that the fact that the relevant administration personnel reports to the Controlling Shareholders as members of the Board would not prejudice their ability to function independently and effectively. As such, our Directors believes that our Group will have independence of administrative capability upon and after the Listing.

### **Independence of major customers**

Our Directors confirmed that, save as disclosed in the section "Business — Our major clients — Major clients who are related to our Group — B. Transactions with Mr. Lui" of this prospectus regarding the relationship between Mr. Lui (our largest client over the Track Record Period) and

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

us, none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

### NON-COMPETITION UNDERTAKINGS

Notwithstanding the above, for the purpose of the Listing, each of our Controlling Shareholders as covenantors (each of them, a “**Covenantor**” and collectively, the “**Covenantors**”) has given certain non-competition undertakings in favour of our Company (for ourselves and as trustee for and on behalf of our subsidiaries) under the Deed of Non-competition.

In accordance with the Deed of Non-competition, each of the Covenantors hereby irrevocably and unconditionally, jointly and severally, warrants and undertakes with our Company, that, effective from the Listing becoming unconditional (as specified under the section headed “Structure and conditions of the Share Offer — Conditions of Share Offer” of this prospectus) and ending on the occurrence of the earlier of (i) the date on which the Shares cease to be listed on GEM; or (ii) the date on which the Covenantors with their close associates, cease to be directly or indirectly interested in 30% or more of the then issued share capital of the Company, or cease to be our controlling shareholder (as the term is defined in the GEM Listing Rules):

- (i) *undertaking not to engage in competing business*: the Covenantor shall not, and shall procure each of his close associates (other than our Group) shall not, whether on his own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly, whether as a shareholder, director, employee, partner, agent or otherwise (other than being a director or shareholder of our Group or members of our Group), carry on or be engaged in, hold or participating in, directly or indirectly, a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involve in (in each case whether as shareholder, partner, agent or otherwise and whether for profit, reward or otherwise), any business which competes or may in any aspect compete directly or indirectly with the business or which is similar to the business currently and may from time to time be engaged by our Group (including but not limited to the provision of futures broking services to customers in respect of futures and options traded on the Futures Exchange as well as major global markets and any businesses ancillary to any of the foregoing) (“**Restricted Business**”). If there is any disagreement between any of the Covenantors and the Company as to whether any transaction/business shall constitute Restricted Business, the matter shall be determined by the independent non-executive Directors whose decision shall be final and binding;
- (ii) *undertaking not to solicit staff etc.*:
  - (a) the Covenantor will not, and will procure his close associates (excluding the Group) not to, invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by the Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-competition; and

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) the Covenantor will not, and will procure his close associates (excluding the Group) not to, offer employment to, enter into a contract for the services of, or attempt to solicit or seek to entice away from our Group any individual who is a director, officer, manager or employee of our Group, or procure or facilitate the making of any such offer or attempt by any other person; and
  - (c) the Covenantor will not, and will procure his close associates (excluding the Group) not to, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his knowledge in his capacity as the controlling shareholder for any purposes other than for the exercise of shareholders' rights ; and
  - (d) address such other enquiries as may be made by the Stock Exchange, the Securities and Futures Commission, any other regulatory bodies or the Company from time to time.
- (iii) *undertakings in respect of new business opportunity*: if the Covenantor and/or any of his close associates (other than our Group) is offered or becomes aware of any project or new business opportunity ("**New Business Opportunity**") that relates to the Restricted Business, whether directly or indirectly, he shall:
- (a) promptly in any event not later than ten days from the date of offer or becoming aware of the New Business Opportunity notify our Company in writing ("**Offer Notice**") of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and
  - (b) use his best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him and/or his close associates (other than our Group).

The Covenantor shall only be entitled to pursue the New Business Opportunity if our Group gives a written notice declining the New Business Opportunity and confirming that the New Business Opportunity would not constitute competition with the business of our Group, or if our Group has not sent such written notice to the Covenantor within 30 days (or up to 60 days if our Group requires further time to assess the New Business Opportunity) from our Group's receipt of the Offer Notice.

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not count towards the quorum for, any meeting or part of a meeting convened to consider the New Business Opportunity.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (iv) *general undertakings*: the Covenantor shall:
- (a) when required by our Company provide our Company and our Directors with all such information as the independent non-executive Directors may request including but not limited to monthly turnover records and any other relevant documents considered necessary by the independent non-executive Directors, for their annual review of the compliance and/or enforcement of the terms of Deed of Non-competition;
  - (b) provide after the end of each financial year of our Company with a declaration made by each of them which shall state whether or not he has during that financial year complied with all the terms of the Deed of Non-competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of the Company for the relevant financial year, such annual declaration shall be consistent with the principles of making voluntary disclosure in the corporate governance report of the Group;
  - (c) procure our Company to disclose to the public either in the annual report of our Company or issue a public announcement in relation to any decisions made by our independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;
  - (d) allow our Directors, their respective representatives and our auditors to have sufficient access to their records and records of their close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition;
  - (e) that during the period when the Deed of Non-competition is in force, fully and effectually indemnify our Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-competition; and
  - (f) in the event that an actual or potential conflict of interests arises and a transaction/business is considered by the Company, he will abstain from voting on such resolution in approving such transaction/business at the board level and at the shareholder level of the Company and will not be counted in the quorum.

To ensure that the terms of the Deed of Non-competition are observed, our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with and the enforcement of the Deed of Non-competition; and (ii) all the decision made by our Group in relation to whether to take up any New Business Opportunity.

The Deed of Non-competition and the rights and obligations thereunder are conditional upon (a) the Listing Division granting the listing of, and the permission to deal in, the Shares, as described in this prospectus, and (b) the Listing and dealings in the Shares on GEM taking place.

As the Covenantors have given non-competition undertakings in favour of our Company, and none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that they are capable of carrying on our Group's business independently of the Covenantors following the Listing.

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

### CORPORATE GOVERNANCE MEASURES

Notwithstanding the above, our Company will adopt the following corporate governance measures to avoid potential conflict of interests and to safeguard the interests of our Shareholders:

- (a) compliance with the GEM Listing Rules, in particular strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules, where applicable;
- (b) appointment of Alliance Capital Partners Limited as our Compliance Adviser to advise us on the compliance matters in respect of the GEM Listing Rules and applicable laws and regulations;
- (c) appointment of three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. Our independent non-executive Directors will review on the compliance by Covenantors with terms of the Deed of Non-competition and the enforcement thereof by our Company on an annual basis. We believe our independent non-executive Directors possess the qualification and integrity and are free of any business or other relationship which may materially interfere with their exercise of independent judgment and will be able to protect the interests of our public Shareholders in a fair and impartial manner. Further details of our independent non-executive Directors are set out in the section headed "Directors, senior management and staff" of this prospectus;
- (d) the Covenantors have undertaken and agreed to provide all information as may be requested by our Group for the annual review by the independent non-executive Directors of compliance and the enforcement of terms of the Deed of Non-competition; and
- (e) our Company will disclose decisions on matters reviewed by our independent non-executive Directors in relation to the compliance with and the enforcement of the Deed of Non-competition either through our Company's annual report or by way of announcement to the public.



## CONNECTED TRANSACTION

Our Directors confirm that the following transaction has been entered into by our Group with Mr. Ding who is our connected person, which will continue following the Listing, thereby constituting a continuing connected transaction of our Group under Chapter 20 of the GEM Listing Rules:

### EXEMPTED CONTINUING CONNECTED TRANSACTION

#### Consultancy agreement

Since March 2012, we have engaged Mr. Ding (the vice-chairman of New Era, a registered futures brokerage in the PRC) as a business consultant to assist us on the launch of our marketing campaign in the PRC. The engagement with Mr. Ding is personal in nature and our Group has no trading or non-trading transactions with New Era, save for our engagement with Mr. Ding.

To formalise the terms of the consultancy services provided by Mr. Ding, on 14 July 2016, Excalibur Global HK entered into a written consultancy agreement (“**Consultancy Agreement**”) with Mr. Ding, pursuant to which, Excalibur Global HK agreed to appoint Mr. Ding, and Mr. Ding agreed to accept his appointment, as a business consultant of Excalibur Global HK for an initial term of one year starting from the date of the Consultancy Agreement. The Consultancy Agreement shall be automatically renewed at the expiry of the term, subject to early termination by either party by giving the other party three months prior termination notice.

Under the Consultancy Agreement, in consideration of a monthly consultancy fee of HK\$30,000, Mr. Ding agreed to, *inter alia*, (i) provide guidance, business and strategic advice and recommendations to our Group in terms of our marketing and promotion of our business in the PRC (including provision of market intelligence and information regarding the futures and options industry); (ii) provide certification services to potential clients in the PRC, as may be required as part of our account opening process; (iii) assist in organising seminars, forums and events in the PRC to educate attendees to recognise Hong Kong as an investment channel for trading futures contracts and to assist in the marketing of such events; and (iv) providing training to PRC sales and marketing staff.

Mr. Ding, aged 54, has over 21 years of experience in the securities and futures brokerage business in the PRC. Mr. Ding has been a director of New Era, a futures broker registered with the China Securities Regulatory Commission of the PRC, since its establishment in 1995, and as at 2016, Mr. Ding held the position of vice-president.

Mr. Ding graduated from Nanjing College of Food Economics\* (南京糧食經濟學院) (currently known as Nanjing University of Finance & Economics\* (南京財經大學)) with a bachelor of financial accounting degree in July 1985. Mr. Ding also holds qualifications to act as a futures practitioner (期貨從業人員資格) in the PRC.

Mr. Ding is a director of New Century, a subsidiary of the Company, and is therefore a connected person of the Company under Rule 20.07 of the GEM Listing Rules. As such, the transactions under the Consultancy Agreement constitute continuing connected transactions of our Company under the GEM Listing Rules following the Listing.



## CONNECTED TRANSACTION

### *Historical figures and annual caps*

The following table sets out (i) the historical transaction amounts paid by our Group to Mr. Ding in respect of the provision of consultancy services over the Track Record Period; and (ii) the proposed annual caps under the Consultancy Agreement:

	Historical figures <i>(in HK\$)</i>			Annual caps under the Consultancy Agreement <i>(in HK\$)</i>		
	FY2015	FY2016	1H2017	For the financial year ending 31 December 2017	For the financial year ending 31 December 2018	For the financial year ending 31 December 2019
Transaction amounts/expected transaction amounts	360,000	360,000	180,000	360,000	360,000	360,000

Our Directors have arrived at the above annual caps after taking into consideration (i) the terms of the existing Consultancy Agreement; and (ii) the fact that the Consultancy Agreement does not provide for a periodic review of the consultancy fee payable.

Our Directors confirmed that the consultancy fee under the Consultancy Agreement was determined after arm's length negotiation with Mr. Ding. Our Directors are of the view that the Consultancy Agreement has been entered into on normal commercial terms that are comparable to those terms applicable to the engagement of similar consultants in the PRC for the provision of similar services, and that the terms of the Consultancy Agreement are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

### **GEM Listing Rules implications**

As the applicable percentage ratios under Chapter 20 of the GEM Listing Rules (other than the profit ratio) for the Consultancy Agreement on an annual basis exceed 1% but are less than 5% and the annual amount payable by our Group under the Consultancy Agreement will be less than HK\$3 million, the continuing connected transactions contemplated thereunder are fully exempt from all annual review, reporting, announcement and independent shareholders' approval (including independent financial advisor) requirements under Chapter 20 of the GEM Listing Rules.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately after completion of the Capitalisation Issue and Share Offer (without taking into account Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option), each of the following persons have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholder	Capacity/nature of Interest	Number of Shares held immediately after completion of the Capitalisation Issue and the Share Offer	Approximate percentage of interests in our Company immediately after completion of the Capitalisation Issue and the Share Offer
Mr. Poon ( <i>Notes 2, 3</i> )	Beneficial owner; interest held jointly with another person	576,000,000 (L)	72.0%
Mr. Chan ( <i>Notes 2, 4</i> )	Beneficial owner; interest held jointly with another person	576,000,000 (L)	72.0%

*Notes:*

- (1) The letter “L” denotes long position of the Shares.
- (2) On 27 October 2017, our Controlling Shareholders, namely Mr. Poon and Mr. Chan, entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, amongst other things, that they are parties acting in concert in respect of each of the members of our Company during the Track Record Period and will continue to be concert parties thereafter, details of which are set out in the paragraph headed “History, Reorganisation and corporate structure — Parties acting in concert” of this prospectus. As such, pursuant to the parties acting in concert arrangement, each of our Controlling Shareholders, i.e. Mr. Poon and Mr. Chan, is deemed to be interested in 72.0% of the issued share capital of our Company.
- (3) 576,000,000 Shares in which Mr. Poon is interested consist of (i) 288,000,060 Shares held by him; and (ii) 287,999,940 Shares in which Mr. Chan is deemed to be interested as a result of being a party acting-in-concert with Mr. Poon.
- (4) 576,000,000 Shares in which Mr. Chan is interested consist of (i) 287,999,940 Shares held by him; and (ii) 288,000,060 Shares in which Mr. Poon is deemed to be interested as a result of being a party acting-in-concert with Mr. Chan.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of the Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option), have an interest or short position in the Shares or underlying Shares which fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

## SHARE CAPITAL

### SHARE CAPITAL OF OUR COMPANY

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

<i>Authorised share capital</i>	<i>HK\$</i>
10,000,000,000 Shares of HK\$0.01 each	100,000,000
<i>Shares issued and fully paid or credited as fully paid</i>	
10,000,000 Shares in issue as at the date of this prospectus	100,000
590,000,000 Shares to be issued pursuant to the Capitalisation Issue	5,900,000
<u>200,000,000</u> Shares to be issued pursuant to the Share Offer	<u>2,000,000</u>
<b><u>800,000,000</u></b>	<b><u>8,000,000</u></b>

**Total Shares issued and to be issued upon completion of  
the Capitalisation Issue and the Share Offer**

Assuming the Offer Size Adjustment Option is exercised in full, the issued share capital of our Company immediately after the completion of the Capitalisation Issue and the Share Offer will be increased by HK\$300,000 divided into 30,000,000 Shares to HK\$8,300,000 divided into 830,000,000 Shares.

### ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Share Offer will become unconditional and does not take into account the Shares to be allotted and issued upon the exercise of the Offer Size Adjustment Option, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company pursuant the general mandates granted to our Directors to allot and issue or repurchase Shares as described below.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

### RANKING

The Offer Shares are ordinary shares and will carry the same rights in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus (and for the avoidance of doubt other than the entitlements under the Capitalisation Issue).

## SHARE CAPITAL

### **CAPITALISATION ISSUE**

Pursuant to the written resolutions of our Shareholders passed on 19 December 2017, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of allotment and issue of the new Shares pursuant to the Share Offer, our Directors were authorised to allot and issue a total of 590,000,000 Shares credited as fully paid at par to the holder of Shares on the register of members or principal share register of our Company at the close of business on 19 December 2017 in proportion to their shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$5,900,000 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to this resolution shall carry the same rights in all respects with the existing issued Shares.

### **GENERAL MANDATE TO ISSUE SHARES**

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and conditions of the Share Offer — Conditions of the Share Offer” of this prospectus, our Directors have been granted a general mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Share to be allotted and issued or dealt with subject to the requirement that the aggregate number of the Shares so allotted and issued or agreed conditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangement, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or the exercise of any options which have been or may be granted under the Share Option Scheme); and
- (b) the aggregate nominal or par amount of the share capital of our Company repurchased by our Company, if any, under the general mandate to repurchase Shares referred to in the paragraph headed “General mandate to repurchase Shares” below.

This general mandate to issue Shares does not cover Shares to be allotted, issued or dealt with under a rights issue or pursuant to the exercise of the Offer Size Adjustment Option or the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of the Company or in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles.

## SHARE CAPITAL

This general mandate to issue Shares will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting;
- (b) the expiration of the period within which our Company is required by the Companies Law or the Articles or other applicable laws to hold its next annual general meeting; or
- (c) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of this general mandate to issue Shares, please refer to the paragraph headed "Statutory and general information — A. Further information about our Company and our subsidiaries — 3. Written resolutions of all Shareholders passed on 19 December 2017" in Appendix IV to this prospectus.

### GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed "Structure and conditions of the Share Offer — Conditions of the Share Offer" of this prospectus, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares of not more than 10% of the Shares in issue following completion of the Capitalisation Issue and Share Offer (but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or the exercise of any options which may be granted under the Share Option Scheme).

This general mandate to repurchase Shares only relates to repurchases made on the Stock Exchange, or any other exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), which are made in accordance with all applicable laws and requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed "Statutory and general information — A. Further information about our Company and our subsidiaries — 6. Repurchase by our Company of its own securities" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which our Company is required by the Companies Law or the Articles or other applicable laws to hold its next annual general meeting; and
- (c) the passing of an ordinary resolution of our Shareholders in general meeting revoking, varying or renewing such mandate.

For further details of this general mandate to repurchase Shares, please refer to the paragraph headed "Statutory and general information — A. Further information about our Company and our subsidiaries — 6. Repurchase by our Company of its own securities" in Appendix IV to this prospectus.

## **SHARE CAPITAL**

### **SHARE OPTION SCHEME**

We have conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed “Statutory and general information — D. Share Option Scheme” in Appendix IV to this prospectus.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

The method and procedures for holding of general meeting or class meeting of a Cayman Islands exempted company and the circumstances under which such meetings are required are prescribed under and set out in the articles of association of such company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in “Summary of constitution of our Company and Cayman Islands Companies Law” set out in Appendix III to this prospectus.

## FINANCIAL INFORMATION

*You should read the following discussion and analysis together with the combined financial statements of our Group and the notes thereto as of and for the years ended 31 December 2015 and 2016 and six months end 30 June 2017, included in the Accountants' Report set out in Appendix I to this prospectus.*

*The Accountants' Report has been prepared in accordance with HKFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions.*

*The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors which we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ materially from those set forth in the forward-looking statements including, but not limited to, those discussed elsewhere in this prospectus in "Risk factors" and "Forward-looking Statement" sections of this prospectus.*

*Any discrepancies in any table or elsewhere in this prospectus between totals and sums of amounts listed herein are due to rounding.*

*Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.*

### OVERVIEW

We are a futures brokerage firm based in Hong Kong and we provide futures brokerage services to our clients in respect of futures and options products traded on the HKFE as well as other major global futures exchanges (including the CME Group, the ICE Group, LME, SGX, EUREX and TCE). These products include index futures and options (including HSI and mini-HSI futures and options traded on the HKFE), forex futures, energy futures, precious metal futures, industrial metal futures, agricultural futures, rubber futures and other futures.

We generate revenue primarily from brokerage fees we receive from our clients for executing and/or, in respect of futures and options traded abroad, arranging the execution of trades over our online trading platform. Our clients comprise mainly retail investors who reside in Hong Kong and/or Mainland China.

Further to our futures brokerage business, we also (i) acted as introducing agent to a Hong Kong licensed securities brokerage firm, although revenue generated from introducing activities was immaterial over the Track Record Period; and (ii) provided advice to our clients in respect of futures contracts, although we did not charge our clients for such advisory services.

For FY2016, (i) our revenue amounted to approximately HK\$40.8 million, representing a decrease of approximately HK\$2.6 million (or 6.1% decrease) from approximately HK\$43.4 million for FY2015, and (ii) our profit before tax (taking into account Listing expenses in the amount of HK\$8.8 million

## FINANCIAL INFORMATION

which has been charged to and reflected in our combined statements of profit or loss for FY2016) amounted to approximately HK\$15.4 million, representing a decrease of approximately 31.3% from approximately HK\$22.5 million in FY2015.

Our profit before tax (without taking into account Listing expenses) increased by approximately HK\$1.8 million in FY2016 compared to FY2015 despite a reduction in our revenue in FY2016 mainly due to a significant reduction in our marketing expenses of approximately HK\$3.8 million which had resulted from our decision to internalise our marketing efforts which had led to the termination of our engagement of Joinbest, a PRC marketing consultancy, which was our largest service provider in FY2015.

Compared to 1H2016, our revenue in 1H2017 decreased by 47.4% to approximately HK\$13.6 million. Such decline was primarily due to (i) a significant decrease in trading activity by some of our Hong Kong clients; in particular, Mr. Lui, a client who had contributed the most revenue to the Group over the Track Record Period and who had generally traded products in which we charged a higher brokerage rate, had significantly decreased his trading activities in 1H2017, causing revenue generated from his trading activities to drop from approximately HK\$8.0 million in 1H2016 to approximately HK\$0.5 million in 1H2017; and (ii) a change in trading preference of our clients to products which we generally charged lower brokerage fees, which had led the decline in our Group's revenue to outpace the decline in futures trading volume during the period. Profit before tax for 1H2017 was approximately HK\$1.2 million, compared to approximately HK\$15.5 million in 1H2016. However, without taking into account Listing expenses for both periods, profit before tax would have been approximately HK\$5.3 million for 1H2017, compared to approximately HK\$17.3 million for 1H2016.

We plan to use part of the net proceeds from the Share Offer for the launch of our stock option trading business, which will involve the brokerage of stock options as well as the advancement of margin loans to our clients. It is expected that the stock option business will diversify our revenue streams as well as assist us in attracting new clients. For further details, please refer to the section headed "Future plans and use of proceeds — Reason for Share Offer and the Listing" in this prospectus. The commencement of our stock option broking business is however subject to obtaining approval from the SFC.

### **BASIS OF PRESENTATION**

Our Company was incorporated in the Cayman Islands under the Companies Laws as an exempted company with limited liability on 13 July 2016. In preparation for Listing, we underwent the Reorganisation, as detailed in the section headed "History, Reorganisation and corporate structure" in this prospectus. As a result of the Reorganisation, our Company became a holding company of the subsidiaries comprising our Group.

The financial statements contained in the Accountants' Report relates to the Company and its subsidiaries and has been prepared as if the Group had always been in existence.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group include the results of operations of the entities now comprising the Group for FY2015, FY2016 and 1H2017 as if the Reorganisation was completed at the beginning of these periods. The combined statements of financial



## FINANCIAL INFORMATION

position of the Group as at 31 December 2015, 31 December 2016 and 30 June 2017 have been prepared to present the combined state of affairs of the entities now comprising the Group as at the respective dates as if the Reorganisation was completed at the beginning of the Track Record Period.

All material intra-group transactions and balances have been eliminated on combination.

### **FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those factors set out in the section headed “Risk factors” in this prospectus. In particular:

#### **Reliance on our top 30 clients**

Revenue from the top 30 clients of Excalibur Global HK, our key operating subsidiary, attributed to approximately 67.4%, 67.8% and 79.3% of our total revenues for FY2015, FY2016 and 1H2017, respectively. Any material change in the amount of trading from these clients will directly impact on the amount of brokerage fees (our key revenue stream) we are able to generate for the relevant financial period. As these clients do not have any binding long-term commitments with us, there is no guarantee that these clients will not terminate their relationship with us or materially decrease, or cease, trading of the products we make available through our online trading platform. Our inability to compensate for loss of income from reduced trading activities from these clients may materially and adversely affect our results of operations and financial condition.

#### **Our operating income is reliant to a material extent on investor outlook**

We are currently reliant on a single source of income, namely brokerage fees which we charge our broking futures and options products over our online trading platform. The amount of brokerage fees we are able to generate for any particular financial period is directly affected by the amount of trading carried out by our clients which may be affected by such factors as, among other things, their financial condition as well as investment appetite and preference, which may in turn depend on their outlook on the market based on prevailing conditions of the economy and/or market as well as other matters (such as fluctuations in interest rates and commodities) beyond our control.

Any general consensus and/or preference among our clients not to trade in some or all future contracts typically traded by them will reduce our revenue and our results of operations and may materially and adversely affect our financial condition.

#### **We are highly regulated and susceptible to changes in laws, rules and regulations governing the futures industry**

Our futures brokerage operations constitute licensed activities which are highly regulated in Hong Kong. Our ability to carry out regulated activities will depend on our ability to comply with various ongoing requirements prescribed by regulators in Hong Kong, and any failure to do so may expose us to regulatory scrutiny (including inspections and investigations) as well as possible sanctions, disciplinary actions, proceedings and will risk our licence being suspended or revoked, which may subsequently affect our integrity and reputation.

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Further, any change in the laws, rules and regulations governing the futures industry may increase our cost of compliance, restrict our existing business activities and adversely affect our business prospects and results of operations.

### **We may be affected by changes in economic and other policies of the PRC government**

A significant portion of our revenue is derived from clients who reside in the PRC and one of our key business strategies is to increase our marketing resources in the PRC to attract potential investors to carry out futures contracts trading through us.

While the PRC government is currently reforming its futures industry to promote and encourage futures contracts trading, any change of its policies towards overseas investments and/or remittance of funds by PRC residents or any change in laws and regulations restricting our ability to market our services to PRC clients will adversely affect our ability to realise our business opportunities and affect our results of operations and financial condition.

### **We are subject to competition in the futures brokerage industry**

The futures brokerage industry in Hong Kong is highly competitive with a large number of market participants. According to the Industry Report, as at 31 December 2016 and 31 July 2017, there were 232 and 235 futures brokerage firms in Hong Kong with trading rights with the HKFE, and new participants may enter into the industry as long as they obtain the requisite licences and permits.

There is no assurance that we would be able to effectively and successfully compete with our competitors in terms of, among other things, pricing, resources, technological innovation and quality of services. If we fail to maintain our competitive strengths, we may lose market share which could materially and adversely affect our results of operations and prospects.

### **Listing expenses**

The expenses in relation to the Listing (including underwriting commission, professional fees, and other fees incurred in connection with the Listing) to be borne by us are expected to be approximately HK\$30.4 million (assuming an Offer Price of HK\$0.4 per Offer Share, being the midpoint of our indicative Offer Price range between HK\$0.375 and HK\$0.425 per Offer Share), of which (i) approximately HK\$9.2 million is directly attributable to the issue of Offer Shares under the Share Offer and are expected to be accounted for as a reduction from equity; and (ii) the remaining amount of approximately HK\$21.2 million has been or is expected to be reflected in our combined statements of profit or loss, of which approximately HK\$8.8 million were charged for the FY2016 and the remainder of approximately HK\$12.4 million is expected to be recognised for the financial year ending 31 December 2017. These amounts are latest practicable estimates for reference only and are subject to adjustment based on actual amount to be incurred; and as such, the actual amount may differ from these estimates. Nonetheless, we expect that the Listing expenses will materially affect our Group's financial performance and condition and results of operations for the year ending 31 December 2017, and may possibly result in a loss.

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### CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The combined financial statements have been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

The measurement basis used in the preparation of the combined financial statements is the historical cost basis except that financial assets designated at fair value through profit or loss are designated at fair value.

The preparation of combined financial statements in conformity with HKFRSs requires us to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Some of the accounting policies requires us to make difficult and subjective judgments, often as a result of the need to make estimate of matters that are inherently uncertain. When reviewing our financial information contained herein, you should consider (i) our selection of critical accounting policies; (ii) the judgment and assumptions affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions.

The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revisions affects both current and future periods.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable, provided it is probable that the economic benefits will flow to the company and the revenue and costs, if applicable, and can be measured reliably. Revenue is recognised in profit or loss as follows:

*(a) Commission and fee income*

All transactions related to futures and options contracts dealings and the commission income that arise therefrom are recognised and accounted for on a trade debt basis. Accordingly, only those transactions whose trade dates fall within the accounting period have been taken into account.

*(b) Interest income*

Interest income is recognised as it accrues using the effective interest method.

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(c) *Investment gain*

Trading gain or losses from financial assets at fair value through profit or loss is recognised on a trade date basis whilst unrealised profit or losses are recognised from valuation at the end of the year.

Details of all our significant accounting policies are set out in note 2 to Section B of the Accountants' Report in the Appendix I to this prospectus.

### SUMMARY RESULTS OF OPERATIONS

The following table sets forth our combined statements of profit or loss and other comprehensive income and other financial information for the periods indicated, as derived from the Accountants' Report set out Appendix I to this prospectus.

Operating results in any historical period may not be indicative of the results that may be expected in any future period.

#### Combined statements of profit or loss and other comprehensive income

	FY2015 <i>HK\$'000</i>	FY2016 <i>HK\$'000</i>	1H2016 <i>HK\$'000</i> (unaudited)	1H2017 <i>HK\$'000</i>
Revenue	43,424	40,776	25,849	13,608
Other net (loss)/income	(350)	196	171	128
Gain on disposal of a subsidiary	22	—	—	—
<i>Less:</i>				
Salaries and other benefits	(4,296)	(5,051)	(2,470)	(2,632)
Other operating and administrative expenses	(16,335)	(11,660)	(6,221)	(5,838)
Listing expenses	—	(8,838)	(1,814)	(4,065)
<i>Sub-total</i>	<i>(20,631)</i>	<i>(25,549)</i>	<i>(10,505)</i>	<i>(12,535)</i>
<b>Profit before tax</b>	22,465	15,423	15,515	1,201
Income tax expense	(3,547)	(3,635)	(2,606)	(914)
<b>Profit for the year/period</b>	<b>18,918</b>	<b>11,788</b>	<b>12,909</b>	<b>287</b>

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### DESCRIPTION AND ANALYSIS OF PRINCIPAL COMPONENTS OF OUR RESULTS OF OPERATIONS

#### Revenue

We mainly provide futures broking services. Over the Track Record Period, we derived our revenue principally from brokerage fees received from our clients for the execution and/or facilitation of execution of futures contracts through our online trading platform. There were eight principal categories of futures products traded by our clients, namely (i) energy futures; (ii) index futures and options; (iii) forex futures; (iv) precious metal futures; (v) agricultural futures; (vi) industrial metal futures; (vii) rubber futures; and (viii) other futures.

The following table sets forth a breakdown of our revenue in respect of types of products traded by our clients during the Track Record Period:

#### *Product category*

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
Energy futures	17,704	40.8	21,014	51.5	15,083	58.3	6,836	50.2
Index futures and options	15,701	36.2	13,735	33.7	7,692	29.7	3,743	27.5
Forex futures	3,430	7.9	2,056	5.0	842	3.2	1,156	8.5
Precious metal futures	3,327	7.7	2,781	6.8	1,607	6.2	1,160	8.5
Agricultural futures	1,583	3.6	606	1.5	331	1.3	325	2.4
Industrial metal futures	1,555	3.5	533	1.3	279	1.1	378	2.7
Rubber futures	82	0.2	45	0.1	10	0.1	5	0.1
Other futures	42	0.1	6	0.1	5	0.1	5	0.1
Total	<u>43,424</u>	<u>100.0</u>	<u>40,776</u>	<u>100.0</u>	<u>25,849</u>	<u>100.0</u>	<u>13,608</u>	<u>100.0</u>

#### *Comparison between FY2015 and FY2016 and comparison between 1H2016 and 1H2017*

Our revenues decreased by approximately 6.1% from approximately HK\$43.4 million in FY2015 to approximately HK\$40.8 million. The decrease was mainly due to the decrease in brokerage fees generated from trading by our clients in (i) index futures and options of approximately HK\$2.0 million, (ii) forex futures of approximately HK\$1.4 million; and (iii) industrial metal futures of approximately HK\$1.0 million, but was offset by an increase of approximately HK\$3.3 million in brokerage fees generated from trading of our clients in energy futures.

Our revenues decreased by approximately 47.4% from approximately HK\$25.8 million in 1H2016 to approximately HK\$13.6 million in 1H2017. The decrease was mainly due to the decrease in brokerage fees generated from trading by our clients in (i) energy futures in the amount of approximately HK\$8.2 million, (ii) index futures and options in the amount of approximately HK\$3.9 million; and (iii) precious metal futures in the amount of approximately HK\$0.4 million.

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We set out details below regarding fluctuation in brokerage fees received from key products traded by our clients over the Track Record Period. Our Directors believe, as confirmed by the Industry Report, that the volume of trade transactions in respect of futures contracts is materially affected by volatility in global capital markets (in particular, generally more investors would trade in futures contracts to hedge their risk exposure during times of high volatility in the capital markets). Trading in specific categories of futures contracts is also affected by other factors in the global economy as described below.

- *Energy futures*

The major product traded by our clients under the category of energy futures over the Track Record Period was the Light Crude Oil Futures which is traded on NYMEX.

Our brokerage fees income derived from trading by our clients of energy futures increased by approximately 18.7% from approximately HK\$17.7 million in FY2015 to approximately HK\$21.0 million in FY2016. During the same period, the amount of Light Crude Oil Futures contracts traded by our clients increased from approximately 113,000 in FY2015 to 133,000 in FY2016, in line with the overall increase in volume of trading in the product recorded by NYMEX.

Our brokerage fees income derived from trading by our clients of energy futures decreased by approximately 54.7%, from approximately HK\$15.1 million in 1H2016 to approximately HK\$6.8 million in 1H2017. During the same period, the amount of Light Crude Oil Futures contracts traded by our clients decreased from approximately 89,000 in 1H2016 to approximately 55,000 in 1H2017. This was mainly due to the change in the investment preference of a number of our Hong Kong clients.

We believe that the changes in trading volume in Light Crude Oil Futures was driven by fluctuation in crude oil prices during the relevant periods which had led clients to carry out speculative activities.

- *Index futures and options*

The major products traded by our clients under the category of index futures and options over the Track Record Period were (i) the HSI Futures traded on HKFE; (ii) the Mini-HSI Futures traded on HKFE; (iii) the HSI Options traded on HKFE; and (iv) the XinHua China A50 Index Futures traded on SGX.

Our brokerage fees income derived from trading by our clients of index futures and options decreased by approximately 12.5% from approximately HK\$15.7 million in FY2015 to approximately HK\$13.7 million in FY2016 mainly due to a decrease in the amount of XinHua China A50 Index Futures contracts traded by our clients (from approximately 36,000 contracts in FY2015 to approximately 360 contracts in FY2016).

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We believe that the significant demand for trading XinHua China A50 Index Futures contracts was mainly due to the adoption of the following measures by the PRC regulatory authorities in the third quarter of 2015:

- (i) raised margin requirements on index futures products traded in the PRC futures market;
- (ii) restricted the number of daily positions which may be opened by an investor in the PRC futures market; and
- (iii) increased fees for settling positions of index futures products traded in the PRC futures market.

These measures increased the attractiveness of the use of offshore index futures products (such as the XinHua China A50 Index Futures) vis-à-vis domestic index futures products by PRC investors to hedge against their investment risks in respect of exposures to the PRC domestic securities market. This investment strategy was popular among our PRC clients in FY2015 although it appeared to no longer be popular in FY2016.

Our brokerage fees income derived from trading by our clients of index futures and options decreased by approximately 51.3% from approximately HK\$7.7 million in 1H2016 to approximately HK\$3.7 million in 1H2017. The decrease was mainly due to decrease in brokerage fees income derived from HSI Futures, by approximately HK\$3.2 million, and Mini-HSI Futures, by approximately HK\$0.5 million, in 1H2017 compared to 1H2016.

We believe that the decrease for trading HSI Futures and Mini-HSI Futures contracts was mainly due to change in the investment preference of our clients who had demonstrated more interest in the trading of futures products on overseas futures exchanges during the period.

- *Forex futures*

The major product traded by our clients under the category of forex futures were (i) Euro FX Futures; and (ii) Japanese Yen Futures, both traded on CME.

Our brokerage fees income derived from trading by our clients of forex futures decreased by approximately 40.0% from approximately HK\$3.4 million in FY2015 to approximately HK\$2.1 million in FY2016.

We believe that the decrease in trading volume in Euro FX Futures was mainly due to the volatility of the exchange rate between the Euro and the USD during FY2015 as the market expected the continuation of the quantitative easing (QE) program implemented by the U.S. Government. Such volatility led our clients to take larger positions Euro FX Futures contracts in FY2015 compared to FY2016 due to speculation.

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Our brokerage fees income derived from trading by our clients of forex futures increased by approximately 37.3%, from approximately HK\$0.8 million in 1H2016 to approximately HK\$1.2 million in 1H2017. This was mainly due to the increase in brokerage fees income derived from trading of Japanese Yen Futures.

We believe that the increase in trading volume in Japanese Yen Futures was due to increasing speculative opportunities of Japanese Yen against USD during 1H2017.

- *Precious metal futures*

The major product traded by our clients under the category of precious metal futures was Gold Futures traded on COMEX.

Our brokerage fees income derived from trading by our clients of precious metal futures decreased by approximately 16.4% from approximately HK\$3.3 million in FY2015 to approximately HK\$2.8 million in FY2016.

We believe that the decrease in trades in Gold Futures resulted from a change in the investment preference of our few key customers who trade in this product.

Our brokerage fees income derived from trading by our clients of precious metal futures decreased by approximately 27.8% from approximately HK\$1.6 million in 1H2016 to approximately HK\$1.2 million in 1H2017. We believe that the decrease in trades in Gold Futures was mainly due to decreasing interest by clients in the trading of precious metal futures during 1H2017.

- *Agricultural futures*

The major products traded by our clients under the category of agricultural futures were (i) Soybean Futures; and (ii) Wheat Futures, both traded on CBOT.

Our brokerage fees income derived from trading by our clients of agricultural futures decreased by approximately 61.7% from approximately HK\$1.6 million in FY2015 to approximately HK\$0.6 million in FY2016.

We believe that the decrease in trading of agricultural futures by our clients was primarily due to a decrease in trading volume of Soybean Futures and Wheat Futures as the prices of soybean and wheat were relatively stable in FY2016 compared to FY2015, and therefore led to less speculative trades of related futures contracts.

For 1H2016 and 1H2017, our brokerage fees income derived from trading by our clients of agricultural futures remained stable at approximately HK\$0.3 million.

- *Industrial metal futures*

The major products traded by our clients under the category of industrial metal futures were copper-related futures products and zinc futures traded on LME and COMEX.



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Our brokerage fees income derived from the trading by our clients of industrial metal futures decreased by approximately 65.7% from approximately HK\$1.6 million in FY2015 to HK\$0.5 million in FY2016.

We believe that the decrease in trading of copper-related futures products by our clients was primarily due to low volatility in the price of copper in FY2016 compared to FY2015, and therefore led to less speculative trades being carried out on copper-related futures contracts.

Our brokerage fees income derived from the trading by our clients of industrial metal futures increased by approximately 35.5% from approximately HK\$0.3 million in 1H2016 to HK\$0.4 million in 1H2017 mainly due to an addition of a new client who is interested in trading zinc futures during 1H2017.

### *Breakdown of brokerage fees generated from trading activities of clients over different futures exchange markets*

The following table sets out the amount of brokerage fees we received from broking trades of clients, by futures exchange markets on which the relevant trades were made, over the Track Record Period:

#### Exchange market

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total	HK\$'000	% of total
	(unaudited)							
CME Group								
CBOT	2,246	5.2	1,271	3.1	578	2.3	741	5.5
CME	3,004	6.9	2,479	6.1	1,172	4.5	1,291	9.5
COMEX	3,389	7.8	2,871	7.0	1,742	6.8	1,271	9.3
NYMEX	<u>17,518</u>	<u>40.4</u>	<u>20,984</u>	<u>51.5</u>	<u>15,051</u>	<u>58.2</u>	<u>6,843</u>	<u>50.3</u>
Sub-total	<u>26,157</u>	<u>60.3</u>	<u>27,605</u>	<u>67.7</u>	<u>18,543</u>	<u>71.8</u>	<u>10,146</u>	<u>74.6</u>
HKFE	12,131	27.9	12,393	30.4	6,904	26.7	3,165	23.3
LME	1,470	3.4	435	1.0	139	0.5	261	1.9
ICE Group								
NYBOT	839	1.9	83	0.2	83	0.3	—	—
IPE	211	0.5	38	0.1	38	0.1	—	—
LIFFE	<u>32</u>	<u>0.1</u>	<u>43</u>	<u>0.1</u>	<u>43</u>	<u>0.2</u>	<u>—</u>	<u>—</u>
Sub-total	<u>1,082</u>	<u>2.5</u>	<u>164</u>	<u>0.4</u>	<u>164</u>	<u>0.6</u>	<u>—</u>	<u>—</u>
SGX	2,189	5.0	65	0.2	31	0.1	31	0.1
TCE	82	0.2	45	0.1	10	0.1	5	0.1
EUREX	<u>313</u>	<u>0.7</u>	<u>69</u>	<u>0.2</u>	<u>58</u>	<u>0.2</u>	<u>—</u>	<u>—</u>
<b>Total</b>	<u><u>43,424</u></u>	<u><u>100.0</u></u>	<u><u>40,776</u></u>	<u><u>100.0</u></u>	<u><u>25,849</u></u>	<u><u>100.0</u></u>	<u><u>13,608</u></u>	<u><u>100.0</u></u>

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### *Comparison between FY2015 and FY2016 and comparison between 1H2016 and 1H2017*

Our revenue decreased overall in FY2016 compared to FY2015 as a result of, among other things, a decrease in brokerage fees derived from client trades in respect of products traded on SGX, CBOT, LME and NYBOT, which was partially offset by an increase in brokerage fees derived from client trades in respect of products traded on NYMEX.

For 1H2017, our overall revenue decreased compared to 1H2016 as a result of, among other things, a decrease in brokerage fees derived from client trades in respect of products traded on COMEX, NYMEX, HKFE and the ICE Group, which was partially offset by an increase in brokerage fees derived from client trades in respect of products traded on LME, CBOT and the CME Group. We set out below further details on fluctuations in brokerage fees income generated from client trading of products traded on major futures exchange markets.

- *CME Group*

Our brokerage fees income generated from trading by our clients of products traded on the CME Group (which includes the CBOT, CME, COMEX and NYMEX) increased by approximately 5.5% from approximately HK\$26.2 million in FY2015 to approximately HK\$27.6 million in FY2016. Such increase was a result of:

- an increase in brokerage fees generated from trading of NYMEX products (including Light Crude Oil Futures) by our clients by approximately 19.8% from approximately HK\$17.5 million in FY2015 to approximately HK\$21.0 million in FY2016, which was partially offset by;
- a decrease in brokerage fees generated from trading of CBOT products (including Mini Sized Dow Jones, Soybean Futures and Wheat Futures) by our clients by approximately 43.4% from approximately HK\$2.2 million in FY2015 to HK\$1.3 million in FY2016.

We believe that the increase in trading of NYMEX products by our clients in FY2016 compared to FY2015 was driven by price volatility of underlying property (such as crude oil) of energy futures traded on NYMEX in FY2016 while, conversely, trading of CBOT products by our clients decreased over the same period due to low price volatility of underlying property (such as soybean and wheat) of agricultural futures traded on CBOT.

Our brokerage fees income generated from trading by our clients of products traded on the CME Group decreased by approximately 45.3%, from approximately HK\$18.5 million in 1H2016 to approximately HK\$10.1 million in 1H2017. Such decrease was a result of:

- a decrease in brokerage fees generated from trading of NYMEX products (including Light Crude Oil Futures) by our clients by approximately 54.5%, from approximately HK\$15.1 million in 1H2016 to approximately HK\$6.8 million in 1H2017; and

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- (ii) a decrease in brokerage fees generated from trading of COMEX products (including Gold Futures) by our clients by approximately 27.0%, from approximately HK\$1.7 million in 1H2016 to approximately HK\$1.3 million in 1H2017.

We believe that the decrease in the trading of NYMEX products by our clients in 1H2017 compared to 1H2016 was driven by a decrease in the trading of Light Crude Oil Futures by some of our top PRC customers in 1H2017. Meanwhile, the trading of COMEX products by our clients decreased over the same period due to a decrease in the number of Gold Futures traded on COMEX.

- *HKEx Group (HKFE and LME)*

Our brokerage fees income generated from trading of HKFE products by our clients increased by approximately 2.2% from approximately HK\$12.1 million in FY2015 to approximately HK\$12.4 million in FY2016 mainly due to an increase in the amount of client trades in Mini HSI Futures which was partially offset by a decrease in the amount of client trades in HSI Options in FY2016, respectively. We believe that our clients increased their trading in Mini HSI Futures in FY2016 as the initial margin for trading this product was lowered during the period, making it more attractive, in particular among clients with less trading experience.

Our brokerage income generated from trading of LME products by our clients decreased by approximately 70.4% from approximately HK\$1.5 million in FY2015 to approximately HK\$0.4 million in FY2016, mainly due to the declining interest of our clients in trading industrial metal futures (such as copper-related futures) traded on LME.

Our brokerage fees income generated from trading by our clients of products traded on the HKFE also decreased by approximately 54.2% from approximately HK\$6.9 million in 1H2016 to approximately HK\$3.2 million in 1H2017 due to decrease of the trading volume of HSI Futures and Mini-HSI Futures.

We believe that the decrease in trading of HKFE products by our clients in 1H2017 compared to 1H2016 was driven by a change in investment preference of our customers who are switching to non-HKFE products available in other futures exchanges.

- *ICE Group*

Our brokerage fees income generated from trading by our clients of products listed on the ICE Group (which includes the NYBOT, IPE and LIFFE) decreased by approximately 84.8% from approximately HK\$1.1 million in FY2015 to HK\$0.2 million in FY2016, mainly due to decrease in brokerage fees generated from client trading in Dollar Index Futures that is traded on NYBOT.

We believe that the decrease in trading in Dollar Index Futures in FY2016 compared to FY2015 was due to the relatively low transaction volume of Dollar Index Futures in FY2016. As lower transaction volume lead to lower liquidity and greater bid-ask spreads, the product became less attractive among clients in FY2016.

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For 1H2017, no brokerage fees income were generated from trading by our clients of products traded on the ICE Group as none of our clients were interested in trading any products available on the exchanges under ICE Group.

- *SGX*

Our brokerage fees income generated from trading by our clients of products traded on SGX decreased by approximately 97.1% from approximately HK\$2.2 million in FY2015 to approximately HK\$65,000 in FY2016, mainly due to a decrease in trading of the XinHua China A50 Index Futures by our clients in FY2016 compared to FY2015 due to change in PRC government measures in FY2015 and change in investor strategy in FY2016 as described in the paragraph headed “Index futures and options” above.

For 1H2017, the amount of brokerage fees income generated from the trading by our clients of products traded on the SGX remained comparable to the amount generated in 1H2016.

- *EUREX*

Our brokerage fees income generated from the trading by our clients of products traded on EUREX decreased by approximately 78.0% from approximately HK\$0.3 million in FY2015 to approximately HK\$69,000 in FY2016, mainly due to the change in investment preference of two key customers who trade in Dax Futures and their declining interest in Dax Futures in FY2016.

For 1H2017, no brokerage fees income were generated from trading by our clients of products traded on the EUREX as none of our clients were interested in trading any products available on the EUREX.

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### *Brokerage fees we charge our clients*

The following table sets out the average brokerage fee per futures contract which Excalibur Global HK charged its clients by category of key futures and options products traded through us over the Track Record Period:

	FY2015		FY2016		1H2016		1H2017	
	Gross commission (HK\$) (Note 1) Average	Net commission (HK\$) (Note 2) Average	Gross commission (HK\$) (Note 1) Average	Net commission (HK\$) (Note 2) Average	Gross commission (HK\$) (Note 1) Average	Net commission (HK\$) (Note 2) Average	Gross commission (HK\$) (Note 1) Average	Net commission (HK\$) (Note 2) Average
Index futures and options								
HSI Futures	38.2	38.2	54.2	54.2	56.6	56.6	39.3	39.3
Mini HSI Futures	9.7	9.7	13.9	13.9	13.1	13.1	13.7	13.7
HSI Options	33.9	33.9	23.7	23.7	24.6	24.6	20.4	20.4
XinHua China A50 Index Futures	60.0	47.7	148.6	137.8	138.9	128.0	219.1	208.2
Forex futures								
Euro FX Futures	105.4	89.4	84.2	68.2	88.2	72.2	65.5	49.5
Japanese Yen Futures	104.2	85.5	71.3	52.6	78.4	59.7	63.5	44.8
Energy futures								
Light Crude Oil Futures	154.2	139.3	156.6	141.7	168.1	153.2	124.8	109.9
Precious metal futures								
Gold Futures	77.0	62.2	102.8	87.9	100.1	85.2	98.2	83.4
Industrial metal futures								
High Grade Copper Futures	196.7	181.9	196.5	181.6	197.6	182.8	193.3	178.4
Agricultural futures								
Soybean Futures	188.8	170.0	136.6	117.9	145.8	127.1	86.5	67.8
Wheat Futures	89.8	71.0	83.7	65.0	128.5	109.7	62.6	43.9

*Notes:*

1. "Gross commission" refers to the amount of fees which our clients were charged for trading of the product (inclusive of fees charged by our overseas brokers in respect of products traded on overseas futures exchanges, including their brokerage commission and overseas exchange and clearing fees) and NFA assessment fees.
2. "Net commission" refers to the amount of fees which were received exclusively of fees mentioned in Note 1 by Excalibur Global HK in respect of each executed transaction facilitated through Excalibur Global HK.

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### *Pricing policy*

When determining the price of our products, we take into account one or more of the following factors:

- (i) the brokerage fees charged by futures brokerage firms which we consider as our competitors and who provides similar services to that of our Group;
- (ii) the willingness and ability of our clients to pay a premium for reliable and personalised services and/or speedy access to information on, and trading of, futures and options products; and
- (iii) arm's length negotiation with relevant clients based on their background and profile (for example, their trading history including frequency and volume of trades), length of client relationship with us; and in respect of a PRC client, the brokerage fees charged by local brokerage firms in the PRC for access to a particular futures product and the liquidity of that product in the PRC. As such, our brokerage fee rate for clients of higher net worth or higher trading frequency/volume may be different from those who rarely carry out trades.

For details of our pricing policy, please refer to the section headed "Business — Our pricing policy" in this prospectus.

### *Average brokerage fees*

The average brokerage fees we charge our clients in respect of a category of futures products would be affected by such factors as, among other things, (i) the number of clients who trade in the relevant product; and (ii) the price we charge the relevant clients in respect of the relevant product, which is in turn influenced by our pricing policy set out above.

During the Track Record Period, the fluctuation of average commission rate charged to our clients in respect to each key product mainly resulted from the change in brokerage rates charged by us and the trading volume of our products, details of which are as follows:

- (i) the average gross commission rate per contract of HSI Futures increased from approximately HK\$38.2 in FY2015 to approximately HK\$54.2 in FY2016 and the average gross commission rate per contract of mini-HSI Futures increased from approximately HK\$9.7 in FY2015 to approximately HK\$13.9 in FY2016. The above increase was mainly due to a higher number of trades being carried out by some of our top clients who were willing to pay higher brokerage fees for our services. In addition, there was an increase in the number of new clients from Mainland China who paid a higher brokerage fee for receiving our services; the average gross commission rate per contract of HSI Futures decreased from approximately HK\$56.6 in 1H2016 to approximately HK\$39.3 in 1H2017 because of decrease in trading of some of the top clients who paid higher brokerage fee during the period. The average gross commission rate per contract of mini-HSI Futures remained stable during the period from 1H2016 to 1H2017;

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- (ii) the average gross commission rate per contract of HSI Options decreased from approximately HK\$33.9 in FY2015 to HK\$23.7 in FY2016 and further decreased to approximately HK\$20.4 in 1H2017 mainly due to the lower commission rate offered to clients referred by Mr. Kwok after attending his on-site training in respect of trading futures and options products; the average gross commission rate per contract of HSI Options decreased from approximately HK\$24.6 in 1H2016 to approximately HK\$20.4 in 1H2017 mainly due to lower rates of commission charged on new customers referred by Mr. Kwok;
- (iii) the average commission rate per contract of XinHua China A50 Index Futures increased from approximately HK\$60.0 in FY2015 to approximately HK\$148.6 in FY2016 as (i) some of the frequent traders who traded the product in FY2015 ceased to trade, or significantly reduced their trading volume, in the relevant product in FY2016; and (ii) we charged higher brokerage fees on some of our new clients (constituting a material portion of client base for such product) for transacting trades of the relevant product (based on, among others, their willingness to pay as well as our assessment of the level of fees we consider to be reasonable based on their background and profile); the average commission rate per contract of XinHua China A50 Index Futures increased from approximately HK\$138.9 in 1H2016 to approximately HK\$219.1 in 1H2017 as there was an increase in the number of new clients from Mainland China who were willing to pay a higher brokerage fee for receiving our services;
- (iv) the average commission rate per contract of Euro FX Futures decreased from approximately HK\$105.4 in FY2015 to approximately HK\$84.2 in FY2016 and further decreased to approximately HK\$65.5 in 1H2017 and the average commission rate per contract of Japanese Yen Futures decreased from HK\$104.2 in FY2015 to HK\$71.3 in FY2016 and further decreased to approximately HK\$63.5 in 1H2017. The above decreases was due to lower brokerage fees that were offered to a few clients who negotiated for a lower brokerage fee. After assessing their past trading record in trading forex futures as well as their credit standing, we decided to offer them a lower brokerage rate for such products;
- (v) the average commission rate per contract of Light Crude Oil Futures decreased from approximately HK\$168.1 in 1H2016 to approximately HK\$124.8 in 1H2017 mainly due to declining interest of our clients in trading Light Crude Oil Futures resulting in a decrease in the average commission rate of Light Crude Oil Futures, as the remaining clients were those who paid a relatively low brokerage fee;
- (vi) the average commission rate per contract of Gold Futures increased from HK\$77.0 in FY2015 to approximately HK\$102.8 in FY2016 mainly due to an increase in number of new clients from Mainland China who were willing to pay a higher brokerage fee for receiving our services and such average commission rate remained stable in 1H2017; and
- (vii) the average commission rate per contract of Soybean Futures decreased from approximately HK\$188.8 in FY2015 to approximately HK\$136.6 in FY2016 and further decreased to approximately HK\$86.5 in 1H2017. The above decrease was mainly due to

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lower brokerage rate offered to our clients who negotiated for a lower brokerage fee. After our assessment of clients' trading record in trading forex futures as well as their credit standing, we decided to offer them a lower brokerage rate for such product.

### *Products traded by our top client, Mr. Lui, during the Track Record Period*

The following table sets out the breakdown of the key traded futures products that were traded by Mr. Lui over the periods indicated:

	FY2015				FY2016			
	Revenue (HK\$'000)	% of total	Number of contract traded	Average gross commission	Revenue (HK\$'000)	% of total	Number of contract traded	Average gross commission
<i>CME Group</i>								
Light Crude Oil Futures	2,715	52.8	16,358	166.0	6,736	72.0	35,682	189.0
Gold Futures	179	3.5	866	207.0	87	0.9	518	168.0
Others	<u>381</u>	7.4	<u>1,894</u>	200.9	<u>73</u>	0.8	<u>374</u>	194.4
Sub-total	3,275	63.7	19,118	195.0	6,896	73.7	36,574	188.6
<i>HKFE Group</i>								
Mini HSI Futures	36	0.7	1,366	26.0	368	3.9	20,864	18.0
HSI Futures	1,462	28.4	10,440	140.0	2,091	22.3	15,080	139.0
Others	<u>—</u>	—	<u>6</u>	13.0	<u>—</u>	—	<u>6</u>	61.7
Sub-total	1,498	29.1	11,812	36.0	2,459	26.3	35,950	68.0
<i>SGX</i>	353	6.9	1,824	183.0	1	0.0	10	74.0
<i>Other futures exchanges</i>	<u>18</u>	0.3	<u>90</u>	204.2	<u>2</u>	0.0	<u>24</u>	77.6
Total	<u>5,144</u>	100.00	<u>32,844</u>	163.0	<u>9,358</u>	100.0	<u>72,558</u>	129.0



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	1H2016				1H2017			
	Revenue (HK\$'000)	% of total	Number of contract traded	Average gross commission	Revenue (HK\$'000)	% of total	Number of contract traded	Average gross commission
<i>CME Group</i>								
Light Crude Oil Futures	6,030	75.2	31,916	189.0	436	94.0	2,242	194.0
Gold Futures	87	1.1	518	168.0	1	0.2	4	194.0
Others	<u>73</u>	0.9	<u>374</u>	194.4	<u>1</u>	0.2	<u>4</u>	194.8
Sub-total	6,190	77.2	32,808	188.7	438	94.4	2,250	194.5
<i>HKFE Group</i>								
Mini HSI Futures	233	2.9	14,738	16.0	7	1.5	602	11.0
HSI Futures	1,594	19.9	11,540	38.0	19	4.1	134	139.0
Others	<u>—</u>	—	<u>6</u>	61.8	<u>—</u>	—	<u>—</u>	—
Sub-total	1,827	22.8	26,284	68.0	26	5.6	736	30.0
<i>SGX</i>	1	0.0	10	74.0	—	—	—	—
<i>Other futures exchanges</i>	<u>2</u>	0.0	<u>24</u>	77.7	<u>—</u>	—	<u>—</u>	—
Total	<u>8,020</u>	100.00	<u>59,126</u>	155.4	<u>464</u>	100.0	<u>2,986</u>	155.1

The average gross commission income generated from the future traded by Mr. Lui was generally higher than the average gross commission income generated from other clients of the Group, primarily because Mr. Lui traded more global futures (which we charged a higher brokerage fee) compared to HKFE products.

During the Track Record Period, we generated income from clients who are related to our Group. For details of these related persons, please refer to the paragraph headed “Major clients related to our Group” in the “Business” section of this prospectus. The following table sets out the commission income from such related persons during the period as indicated:

	FY2015 HK\$'000	FY2016 HK\$'000	1H2017 HK\$'000
Connected persons (Mr. Chan and Team Success)	745	—	—
Existing staff	103	—	—
Previous staff (Mr. Lau)	1,061	136	—
Self-employed AEs (own account)	57	45	2
Self-employed AEs (Sub-accounts)	425	300	84
Mr. Lui	5,144	9,360	463
Mr. Lin Ke (sole shareholder of Joinbest)	<u>227</u>	<u>987</u>	<u>671</u>
Total	<u>7,762</u>	<u>10,828</u>	<u>1,220</u>

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### *Other income*

The following table sets out the breakdown of our other income for the periods indicated:

	<b>FY2015</b> <i>HK\$'000</i>	<b>FY2016</b> <i>HK\$'000</i>	<b>1H2016</b> <i>HK\$'000</i> (unaudited)	<b>1H2017</b> <i>HK\$'000</i>
Interest income	65	4	3	1
Sundry income	105	140	93	60
<b>Total</b>	<b>170</b>	<b>144</b>	<b>96</b>	<b>61</b>

Other income amounted to approximately HK\$0.17 million, HK\$0.14 million, HK\$0.96 million and HK\$0.61 million in FY2015, FY2016, 1H2016 and 1H2017, respectively, and comprises interest income and sundry income.

### *Interest income*

Our interest income comprises interest income from authorised institutions as well as interest income from our clearing deposits with the HKCC. Our interest income decreased by 94.7% from approximately HK\$65,000 in FY2015 to approximately HK\$4,000 in FY2016, mainly due to the reduction of interest income received from authorised institutions in FY2016 as we decided not to renew our RMB fixed deposit facilities with a bank after July 2015 given the interest rate was no longer as attractive as before. The interest income was insignificant in 1H2016 and 1H2017 respectively.

### *Sundry income*

Our sundry income comprises maintenance fee we charge our clients in respect of their accounts. Our sundry income increased from approximately HK\$105,000 in FY2015 to approximately HK\$140,000 in FY2016 mainly due to the implementation of our account maintenance fee policy commencing from October 2015 (pursuant to which we shall charge a monthly account maintenance fee in respect of accounts with a positive balance but on which there has been no trading for more than 3 years). The amount of change in sundry income generated by our Group was insignificant between 1H2016 and 1H2017.

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### *Other gains and losses*

The following table sets out other gains and losses for the periods indicated:

	FY2015 <i>HK\$'000</i>	FY2016 <i>HK\$'000</i>	1H2016 <i>HK\$'000</i> (unaudited)	1H2017 <i>HK\$'000</i>
Exchange (loss)/gain, net	(141)	122	134	141
Loss on financial assets at fair value through profit or loss	(70)	(70)	(59)	(74)
House trading loss	(309)	—	—	—
<b>Total</b>	<b>(520)</b>	<b>52</b>	<b>75</b>	<b>67</b>

### *Exchange (loss)/gain, net*

An exchange loss or gain arises from the conversion of currencies in client accounts and house accounts for the purpose of carrying out trading in overseas futures exchanges. We recorded approximately HK\$0.12 million in exchange gain in FY2016 compared to approximately HK\$0.14 million in exchange loss in the FY2015. We recorded approximately HK\$134,000 and HK\$141,000 in exchange gain in 1H2016 and 1H2017, respectively. The amount of exchange gain or loss was primarily affected by currency rate fluctuations as well as the amount of transactions carried out in overseas futures exchanges in relevant client accounts and house accounts.

### *Loss on financial assets at fair value through profit or loss*

We may from time to time acquire equity securities listed on the Stock Exchange for investment purposes. As at 31 December 2015 and 31 December 2016, we held 334 shares of China Fortune Financial Group Limited (stock code: 290) and 750,000 shares of Bingo Group Holdings Limited (stock code: 8220), which were acquired by us prior to the Track Record Period.

We incurred a loss on financial assets of approximately HK\$70,000, HK\$70,000, HK\$59,000 and HK\$74,000 for FY2015, FY2016, 1H2016 and 1H2017, respectively, due to a reduction in the fair value of our equity interests in China Fortune Financial Group Limited and Bingo Group Holdings Limited (based on quoted market bid share price of these companies on the Stock Exchange as at 31 December 2015, 31 December 2016, 30 June 2016 and 30 June 2017, respectively).

### *House trading loss*

We incurred a loss of approximately HK\$0.31 million from the proprietary trading of futures contracts through our house account in FY2015, due to the market movement in the value of futures contracts held in our house trading account. We have not carried on any house trading activities since the second half of FY2015 and therefore, no house trading gain or loss was recorded in FY2016, 1H2016 and 1H2017.

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### *Gain on disposal of a subsidiary*

We recorded a gain on disposal of a subsidiary of approximately HK\$22,000 in FY2015 which arose from our disposal of our entire shareholding interest in Smart Day Capital. Smart Day Capital was a wholly-owned subsidiary of Excalibur Global BVI prior to the disposal which provided personal interest-free intra-day financing to the clients of Excalibur Global HK before November 2015. For further details, please refer to the section headed “History, Reorganisation and corporate structure” in this prospectus.

### *Operating expenses (including commission expenses and general and administrative expenses)*

The following table sets out the breakdown of our operating expenses for the periods indicated:

	FY2015		FY2016		1H2016		1H2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Salaries and other benefits (including directors' emoluments)	4,296	20.8	5,051	19.8	2,470	23.5	2,632	21.0
Marketing expenses	3,912	19.0	101	0.4	32	0.3	13	0.1
Office rental and utilities	2,556	12.4	2,615	10.2	1,280	12.2	1,363	10.9
Commission expenses	2,483	12.0	1,641	6.4	841	8.0	789	6.3
Exchange fee	2,572	12.5	2,356	9.2	1,493	14.2	1,162	9.3
Sharp point charges	1,596	7.7	1,381	5.4	787	7.4	610	4.9
Internet and data centre charges	880	4.3	976	3.8	486	4.6	488	3.9
Legal and professional charges	753	3.6	821	3.2	438	4.2	587	4.6
Expenses paid to HKEx Group	387	1.9	231	0.9	119	1.1	118	0.9
Audit fee	309	1.5	305	1.2	153	1.5	153	1.2
Computer software maintenance expenses	229	1.1	247	1.0	107	1.0	100	0.8
Entertainment expenses	153	0.7	255	1.0	121	1.2	84	0.7
Depreciation charges	116	0.6	76	0.3	49	0.5	21	0.2
Listing expenses	—	—	8,838	34.6	1,814	17.3	4,065	32.4
Others	389	1.9	655	2.6	315	3.0	350	2.8
Total	<u>20,631</u>	<u>100.0</u>	<u>25,549</u>	<u>100.0</u>	<u>10,505</u>	<u>100.0</u>	<u>12,535</u>	<u>100.0</u>

### *Salaries and other benefits (including directors' emoluments)*

Our staff costs mainly consisted of salaries and other benefits paid and payable to our directors and employees as well as contributions to their retirement benefits scheme.

Our staff costs increased from approximately HK\$4.3 million in FY2015 to approximately HK\$5.1 million in FY2016, representing an approximately 17.6% or HK\$0.8 million increment. The slight increase in our staff costs was mainly due to an increase in the number of staff and general salaries adjustment made with reference to our Group performance.

Our staff costs increased from approximately HK\$2.5 million in 1H2016 to approximately HK\$2.6 million in 1H2017, representing an approximately 6.6% or HK\$0.1 million increment.

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### *Marketing expenses*

Over the period from 1 January 2013 to 30 June 2015, we engaged Joinbest, a PRC consultancy company, to provide certain marketing-related services for our Group in the PRC pursuant to a cooperative agreement. Our marketing expenses during FY2015 were mainly paid to Joinbest in accordance with the terms of the cooperative agreement for, among other things, procuring our participation and involvement in investment seminars, discussion forums and various other marketing events in the PRC aimed at promoting Hong Kong as an investment venue for futures contracts trading. For further details in relation to our engagement of Joinbest, please refer to the section headed “Business — Marketing” in this prospectus.

The cooperation agreement with Joinbest expired on 30 June 2015 and the Group decided not to renew the agreement in light of our determination to internalise our marketing efforts as part of the long-term business strategy of the Group. Our marketing expenses decreased by approximately 97.4% from approximately HK\$3.9 million in FY2015 to approximately HK\$0.1 million in FY2016 primarily due to our cessation of the engagement of Joinbest since mid-2015.

Our marketing expenses decreased from approximately HK\$32,000 in 1H2016 to approximately HK\$13,000 in 1H2017. These amounts mainly relate to the cost of hosting seminars in the respective periods.

### *Office rental and utilities*

Our office rental and utilities expenses remained stable at approximately HK\$2.6 million for each of FY2015 and FY2016 respectively. Such expense increased from approximately HK\$1.3 million in 1H2016 to approximately HK\$1.4 million in 1H2017 due to renewal of rental contract in second half of 2016. These expenses represent mainly office rental in relation to the lease of our headquarters and principal place of business. For details of our leased properties, please also see the section headed “Business — Our leased property” in this prospectus.

### *Commission expenses*

The table below sets out the breakdown of our commission expenses for the periods indicated:

	<b>FY2015</b>	<b>FY2016</b>	<b>1H2016</b>	<b>1H2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Commission expenses paid to AEs	759	594	315	221
Commission expenses paid to overseas brokers				
— Service Provider A	509	274	54	205
— R.J. O'Brien	930	669	433	302
— ADMIS	<u>285</u>	<u>104</u>	<u>39</u>	<u>61</u>
Total	<u><u>2,483</u></u>	<u><u>1,641</u></u>	<u><u>841</u></u>	<u><u>789</u></u>

## FINANCIAL INFORMATION

- *Commission expenses paid to AEs*

Our commission expenses paid to our AEs comprise of sales commission paid to AEs which are determined on the basis of volume of trades carried out in the portfolio of Referred Accounts of clients referred to and managed by them. For further details on the remuneration of our AEs, please refer to the section headed “Business — Remuneration of staff” in this prospectus.

Our commission expenses to AEs decreased by approximately 21.8% from approximately HK\$0.8 million in FY2015 to approximately HK\$0.6 million in FY2016 and such expenses decreased by approximately 29.8% from approximately HK\$0.3 million in 1H2016 to approximately HK\$0.2 million in 1H2017. The decrease in commission expenses paid to AEs over the Track Record Period was primarily as a result of: (i) an overall decrease in the trading volume in Referred Accounts; and (ii) the fact that in FY2016 new clients were generally referred to us by our existing clients and hence no commission was payable to AEs.

- *Commission expenses paid to overseas brokers*

We have entered into arrangements with various overseas brokerage firms in order for our clients to gain access to futures and options traded in global futures exchanges in which we are not a clearing member and/or which we are not admitted as a trading participant. For details relating to such arrangements, please refer to the section headed “Business — Our major service providers — C. Overseas brokers” in this prospectus. The amount of commission expenses we are required to pay our overseas brokers is determined based on the volume of trades executed by them for our clients.

Over the Track Record Period, we have engaged the following overseas brokers:

(a) Service Provider A

We engaged Service Provider A primarily for transactions relating to products traded by our clients through SGX. Our commission expenses paid to Service Provider A decreased by approximately 46.2% from approximately HK\$0.5 million in FY2015 to approximately HK\$0.3 million in FY2016, primarily due to a decrease in trading by clients of XinHua China A50 Index Futures in FY2016 compared to FY2015.

Our commission expenses paid to Service Provider A increased by approximately 279.6% from approximately HK\$54,000 in 1H2016 to approximately HK\$0.2 million in 1H2017, primarily due to the increase in trading by clients of Japanese Yen Futures in 1H2017 compared to 1H2016.

(b) R.J. O’Brien

We engaged R.J. O’Brien primarily for transactions relating to products traded by our clients through the CME Group. Our commission expenses to R.J. O’Brien decreased by approximately 28.1% from approximately HK\$0.9 million in FY2015 to approximately HK\$0.7 million in FY2016 and decreased by approximately 30.3% from approximately HK\$0.4 million in 1H2016 to approximately HK\$0.3 million in 1H2017.

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The decrease between FY2015 and FY2016 was primarily due to (i) our decision to terminate the use of R.J. O'Brien for executing client trade orders in respect of products traded on LME from the fourth quarter of 2015; and (ii) decrease in the volume of futures contracts traded by our clients over futures exchanges under the CME Group.

(c) ADMIS

We engaged ADMIS primarily for transactions relating to products traded by our client through LME and the CME Group. Our commission expenses to ADMIS decreased by approximately 63.5% from approximately HK\$0.3 million in FY2015 to approximately HK\$0.1 million in FY2016, primarily due to a decrease in the volume of copper-related futures products traded by our clients in LME.

Our commission expenses paid to ADMIS increased by approximately 56.4% from approximately HK\$39,000 in 1H2016 to approximately HK\$61,000 in 1H2017, primarily due to an increase in the volume of copper-related and zinc futures products traded by our clients in LME.

*Exchange fee*

Exchange fee represents the fee charged by overseas exchange markets for the facilitation of the execution of trade orders.

Our exchange fee expenses decreased by approximately 8.4% from HK\$2.6 million in FY2015 to approximately HK\$2.4 million in FY2016, which was in line with the decrease in the number of futures contracts which were traded by our clients via R.J. O'Brien (from approximately 210,000 contracts in FY2015 to approximately 190,000 contracts in FY2016).

Our exchange fee expenses decreased by approximately 22.2% from HK\$1.5 million in 1H2016 to approximately HK\$1.2 million in 1H2017, which was generally consistent with the decrease in the number of futures contracts which were traded by our clients via R.J. O'Brien (from approximately 123,000 contracts in 1H2016 to approximately 86,000 contracts in 1H2017).

*Sharp Point charges*

Our online trading platform is supported by a software interface which we licensed from Sharp Point, an independent software vendor and one of our major service providers over the Track Record Period. For further details in relation to Sharp Point, please refer to the section "Business — Our major service providers — B. Independent software vendor" of this prospectus.

Sharp Point charges (i) a pre-determined fixed monthly licensed fee for the licence of the software interface; and (ii) an additional fee which is charged per transaction executed through the use of the software interface. The amount of charges paid to Sharp Point decreased by approximately 13.4% from approximately HK\$1.6 million in FY2015 to approximately HK\$1.4 million in FY2016 and decreased by approximately 22.5% from approximately HK\$0.8 million to 1H2016 to HK\$0.6 million in 1H2017, primarily due to a decrease in overall trading volume effected through our online trading platform.

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### *Internet and data centre charges*

In order for our online trading platform to connect to the HKEx as well as overseas brokers and futures exchanges for the execution and settlement of trades and the dissemination of market information for our clients, we have engaged telecommunication service providers in Hong Kong which provide Internet connectivity services to allow us connect to the various entities. These telecommunication service providers charged for, among others, providing broadband and data centre hosting services in Hong Kong and in the PRC.

Our internet and data centre charges increased slightly from approximately HK\$0.9 million in FY2015 to approximately HK\$1.0 million in FY2016 due to inflation.

Our internet and data centre charges remained stable at approximately HK\$0.5 million for both 1H2016 and 1H2017.

### *Legal and professional charges*

Our legal and professional charges mainly consist of (i) consultancy fees paid to our business consultants; and (ii) a company secretarial service fee and legal expenses.

During the Track Record Period, Excalibur Global HK appointed Mr. Ding as one of the business consultants to our Group to assist our Group's business in the PRC. For details of such consultancy services, please refer to section headed "Connected transactions" in this prospectus.

Our legal and professional charges (excluding those included in our Listing expenses) remained stable at approximately HK\$0.8 million for FY2015 and FY2016 respectively and increased slightly from approximately HK\$0.4 million in 1H2016 to approximately HK\$0.6 million in 1H2017.

### *Expenses paid to the HKEx Group*

Expenses paid to the HKEx Group mainly consisted of (i) an OAPI license fee which allows our clients to view real-time price information in respect of products traded on the HKFE; (ii) co-location hosting services expenses; and (iii) HKFE Participant licence fee.

Expenses paid to the HKEx Group decreased by approximately 40.2% from approximately HK\$0.4 million in FY2015 to approximately HK\$0.2 million in FY2016 due to a reduction in expenses paid to the HKEx Group for its co-location hosting services as the Company no longer used this service since mid-2015. Such expenses remained stable at approximately HK\$0.1 million in 1H2016 and 1H2017 respectively.

### *Income tax expenses*

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group are domiciled or operate.



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Over the Track Record Period, our Group has not been subject to any taxation in the Cayman Islands and the BVI. Excalibur Global HK, our key operating subsidiary, is subject to Hong Kong profits tax at the rate of 16.5% on the estimated assessable profit during the Track Record Period.

Our income tax expenses are comprised of current profits tax. For FY2015, FY2016, 1H2016 and 1H2017, our income tax expense, were approximately HK\$3.5 million, HK\$3.6 million, HK\$2.6 million and HK\$0.9 million, respectively, and the effective tax rate were 15.8%, 23.6%, 16.8% and 76.1%, respectively. The increase in the effective tax rate was mainly due to professional service fees paid in respect of the Listing of approximately HK\$8.8 million, HK\$1.8 million and HK\$4.1 million in FY2016, 1H2016 and 1H2017, respectively, which was not tax deductible.

### *Other expenses*

Other expenses which were incurred by our Group included audit fees, computer software maintenance expenses, entertainment expenses and depreciation charges. In addition, we incurred expenses in the amount of approximately HK\$8.8 million, HK\$1.8 million and HK\$4.1 million in FY2016, 1H2016 and 1H2017, respectively, in relation to the Listing which are further described in the paragraph headed “Listing expenses” in this section of the prospectus.

We did not incur any financing costs as we did not have any bank borrowings over the Track Record Period.

### *Profit for the year and profit margin*

The following table sets forth the key measurements of our profitability for the periods indicated:

	<b>FY2015</b>	<b>FY2016</b>	<b>1H2016</b>	<b>1H2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Net profit for the year/period ( <i>HK\$'000</i> )	18,918	11,788 <sup>(Note 1)</sup>	12,909 <sup>(Note 1)</sup>	287 <sup>(Note 1)</sup>
Profit margin (%) ( <i>Note 2</i> )	43.6%	28.9%	49.9%	2.1%

#### *Notes:*

- Net of which is after excluding Listing expenses of approximately HK\$8.8 million, HK\$1.8 million and HK\$4.1 million incurred during FY2016, 1H2016 and 1H2017, respectively.
- Profit margin = after tax profit for the year or period revenue

Our net profit after tax decreased by approximately 37.7% from approximately HK\$18.9 million to approximately HK\$11.8 million in FY2016, primarily due to (i) a decrease in revenue from approximately HK\$43.4 million in FY2015 to approximately HK\$40.8 million in FY2016; and (ii) the incurrence of Listing fees in the amount of approximately HK\$8.8 million in FY2016 in respect of the Listing, which was partially offset by material reduction in marketing expenses due to the termination of our engagement with Joinbest.

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As a result, our profit margin has been decreased from approximately 43.6% in FY2015 to approximately 28.9% in FY2016.

Compared to 1H2016, our net profit after tax for 1H2017 decreased by approximately 97.8% from approximately HK\$12.9 million in 1H2016 to approximately HK\$0.3 million in 1H2017. This was primarily due to (i) a decrease in revenue from approximately HK\$25.8 million in 1H2016 to approximately HK\$13.6 million in 1H2017; and (ii) the incurrence of additional Listing expenses of approximately HK\$2.3 million compared to 1H2016. Had we not incurred Listing expenses of approximately HK\$4.1 million in 1H2017 (HK\$1.8 million in 1H2016), our profit before tax in 1H2017 would have been approximately HK\$5.3 million, which was 69.6% lower compared to approximately HK\$17.3 million in 1H2016 (after taking out approximately HK\$1.8 million Listing expenses incurred).

### **Management discussion and analysis on our Group's financial performance**

The decrease in total revenue of our Group in 1H2017 compared to that in 1H2016 was primarily caused by a decrease in trading activity by some of our Hong Kong clients, in particular those of HNWI and frequent traders.

The decrease in the volume of trading carried out by our clients reflects their dampened investment appetite for futures and option products in light of prevailing market conditions (which is affected by such factors as lower volatility in global capital markets and uncertainties over potential US interest rate hike(s)). This is consistent with the decreasing trend in trading volume of HKFE products executed through futures brokers in Hong Kong in 1H2017, which decreased by approximately 13.1% compared with 1H2016. In particular, the trading volume of HSI Futures and Mini HSI Futures (which contributed over 90% revenue of our HKFE products traded during the Track Record Period) decreased by 17.2% and 22.6% respectively in 1H2017.

Despite the decrease in total revenue of the Group for 1H2017 compared to 1H2016, our Directors believe (and the Sole Sponsor agrees) that this will not have a material impact on the sustainability of our Group's business or its ability to maintain sufficient liquid capital pursuant to regulatory requirements for the following reasons:

- (i) the futures brokerage business of our Group is very much affected by investor sentiment in light of prevailing market conditions due to the nature of the futures market, and the sustainability of our Group should not be viewed narrowly based on revenues generated over a limited period of time (as short term financials are not indicative of medium to long term trends). Therefore, despite the dampened investment appetite in the early months of 1H2017, the prospects of the Group had not been materially and adversely affected and the business outlook of the Group remains positive especially in light of the improvement in market sentiment reflected by increased trading of futures contracts (leading to an increase in revenue generated by the Group) by our clients over the months of April, May, June, July, August and September respectively in recent months whereby our Group recorded revenue in the amount of approximately HK\$1.9 million, HK\$2.5 million, HK\$3.0 million, HK\$3.3 million, HK\$3.2 million and HK\$3.6 million respectively;

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- (ii) despite a decrease in total trading volume for 1H2017 compared to 1H2016 (which is in line with the general market sentiment reflected by the decreasing trend in trading volume of HKFE products), there is no indication that the clients of our Group intend to withdraw from trading through our Group entirely or at all. This can be demonstrated by the fact that:
  - (a) the average amount of client money deposited for trading purpose in 1H2017 stood at approximately HK\$48.2 million, which was comparable to average amount of client money deposited of HK\$48.6 million over FY2016;
  - (b) 62 new active clients have opened client account(s) with us in 1H2017 and up to Latest Practicable Date; and
  - (c) 159 inactive client became active in 1H2017 and up to the Latest Practicable Date;
- (iii) our Group has continued to record positive cash flow while its operating and administrative expenses has remained stable;
- (vi) Excalibur Global HK, the key operating subsidiary of our Group has provided futures and options broking and trading services in Hong Kong since 1995, and throughout the years of operation it has developed a reputation as a reliable and quality futures brokerage in Hong Kong;
- (v) through its proven business model (involving a streamlined and efficient organisational structure) and marketing strategy (including, without limitation, the engagement of Self-Employed AEs whose interests are aligned with the interests of our Group) over the years as well as its development of an efficient, integrated and stable online trading platform and IT system for the trading of futures products, the business of our Group has grown over the years;
- (vi) the future plans of our Group (involving, without limitation, the enhancement of its marketing resources in the PRC and the expansion of its product and service offerings (including the introduction of the stock options business for diversification of revenue streams as well as the publication and provision of market research reports, regular updates and commentaries) are expected to assist the Group in attracting new clients and assist it in capturing the market opportunities (as further detailed in the section “Business — Our business strategies — opportunities for growth” section in this prospectus);
- (vii) there continues to be strong policy support from the HKEx Group for the development of the Hong Kong futures market, which is reflected by:
  - (a) the continued extension of trading hours for the trading of HSI and mini-HSI futures in the last few years; which increases its overlap with markets in the United States and Europe and gives clients more time and opportunity to respond to global news and activities; our Directors believe that such extension of trading hours may lead to an increase in client trading (as clients are able to execute trades in extended hours over the online trading platform), and hence result in higher turnover for the Group;

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- (b) its investment and establishment of the commodity platform in Qianhai, the PRC, which it intends to (I) develop from initially a spot trading platform for the trading of physical commodities to becoming a platform for the trading of futures contracts; and (II) explore the cross-listing of commodities derivatives (including futures and options). The establishment of these onshore commodities platforms and the supportive policies to develop Qianhai into a financial services hub are expected to attract more futures market participants (through the admission of clearing members), facilitate cross-border trading (through the integration of execution platforms in China with the rest of the world) as well as broaden the range of futures products available to investors (through the encouragement of financial innovation); our Directors believe that strategically positioning the marketing office of the Group in Qianhai will assist it to realise these opportunities as it continues to elevate the profile of the Group and cement its footprint in the futures brokerage industry in the PRC; and
- (c) incentives introduced by HKFE in June 2017 to promote the trading of RMB futures products (including the offering of rebates on trading fees, market data fee and hosting services fees). Such rebates offered by the Stock Exchange would have a positive impact on the liquidity of the relevant products to facilitate development of more products (such as RMB or USD denominated gold futures) in the Hong Kong futures market; our Directors are of the view that the Company could benefit from (I) the growth in range of new futures products with adequate liquidity (which will facilitate trading of these products for various hedging and speculative purposes); and (II) higher net profit margins from the broking of relevant products as a result of the Stock Exchange rebates.

In light of the above as well as the opportunities currently presented to our business which are important to our growth (as disclosed in the section headed “Business — Our business strategies” in this prospectus), our Directors are of the view that the business of our Group will remain sustainable and they continue to be confident in the business outlook of our Group.

The amount of expenses incurred by our Group in 1H2017 has not changed materially compared with 1H2016. In particular:

- (i) the amount of salaries and other benefits increased by approximately 6.6% mainly due to an overall increase in headcount of full-time staff by two (including the engagement of Mr. Kwok as the Marketing Manager of our Group); and
- (ii) the amount of other operating and administrative expenses (excluding Listing expenses) decreased by approximately 6.2% mainly attributable to a reduction in trade-related expenses (including exchange fees, charges from software vendor as well as commission expenses) due to a reduction in trading volume which was partially offset by an increase in administrative expense due to increase in rental costs.

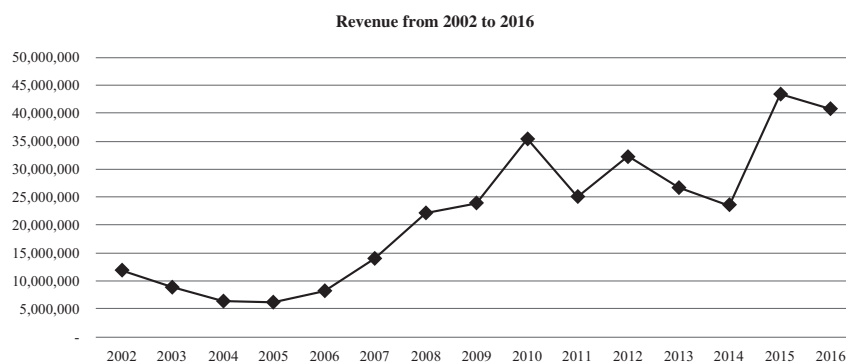
Taking into account the above matters for 1H2017, including the decrease in revenue, relatively stable operating expenses and Listing expenses attributable to the period, our profit for the period has been materially affected.

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Taking into account (i) the financial performance of our Group for 1H2017 as described above; (ii) the estimated expenditure of approximately HK\$23.5 million to be incurred during the financial year ending 31 December 2017 for the purpose of implementing our future plans as set out in the section headed “Future plans and use of proceeds” in this prospectus, the benefits of which are only expected to materialise from late 2017 onwards; (iii) Listing expenses in the amount of approximately HK\$9.5 million expected to be charged to our combined statement of profit or loss the year ending 31 December 2017, it is expected that our Group’s financial performance and results of operations for the financial year ending 31 December 2017 will be materially and adversely affected.

### Continuing development and growth of revenues of Excalibur Global HK between 2002 and 2016

Although the business of Excalibur Global HK, the key operating subsidiary of the Group has experienced occasional downturns in its financial performance over the years, its business continued to develop and grow as shown in the table below:



In particular:

- (i) as shown by the table above, the total revenues of Excalibur Global HK have continued to grow over the years from 2002 to 2016 with a CAGR of 9.2%;
- (ii) the range of products which were made available through the online trading platform has continued to grow over the years, from initially focusing on only futures and options products traded on the HKFE in the period from 2002 to 2005, to the trading of a wide range of index futures, forex futures, energy futures, precious metal futures, industrial metals futures, agricultural futures, rubber futures and other futures traded over major futures exchanges globally; and
- (iii) while affected by such events such as the change of control and management strategies over the years, our Group had approximately 1,000 (range from 947 to 1,106) clients with a cash balance in their account(s) over the years from 2011 to 2016.

## FINANCIAL INFORMATION

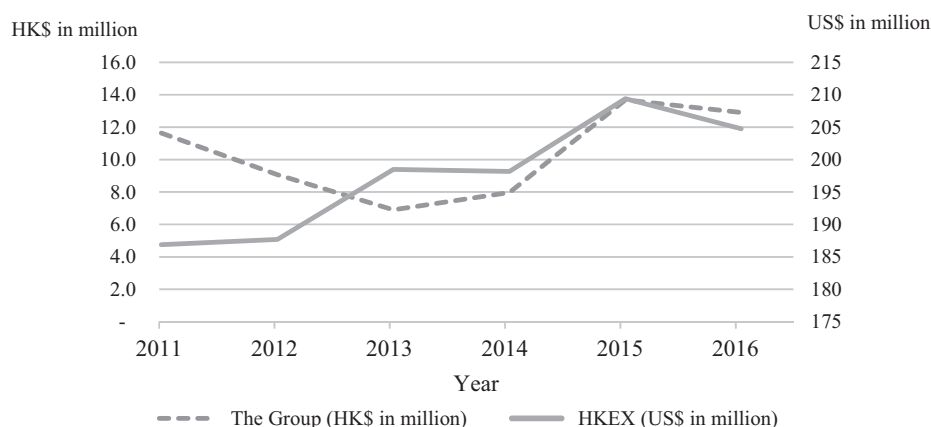
### Relationship between market sentiment in the Hong Kong futures market and the Group's performance

Our Directors believe that the trading volume in HKFE futures products (primarily HSI Futures and Mini HSI Futures) is more reflective of the overall sentiment of the Hong Kong futures market because these products are more relevant to the general market outlook of the Hong Kong market, which is more relevant for investors in Hong Kong and Mainland China where the Group's client primarily reside.

Conversely, trading volume of futures products in exchanges of other major international markets such as CME and SGX may not be reflective of market sentiment of the Hong Kong futures brokerage market as these markets attract investors and market participants from all over the globe (given the diversity of underlying assets of futures contracts traded, ranging from currencies, interest rates, agricultural products, commodity products (including precious metals, industrial metals, oil and gas) who effect trading of relevant futures products for various speculative and hedging purposes unrelated to the market sentiment affecting Hong Kong and Mainland Chinese investors. Investors in these international futures exchanges may be affected by the market sentiment in their respective jurisdictions which may, in turn, be affected by various financial economic, geopolitical, social and other factors. Moreover, overseas futures exchanges do not have a trading platform for futures physically present in the Asian market (including Hong Kong and Mainland China) and focus on international futures trading.

The following tables illustrate that there is somewhat of a correlation between the total amount of brokerage fees generated by the Group (for broking trades for its clients) with the total amount of brokerage fees generated from the broking of HKFE futures products for Hong Kong retail clients (who are more directly affected by market sentiment in Hong Kong). There appears to be somewhat less of a correlation between the total amount of brokerage fees generated by the Group with the total amount of brokerage fees generated from the broking of non-HKFE futures products (which is affected by market sentiment affecting investors globally):

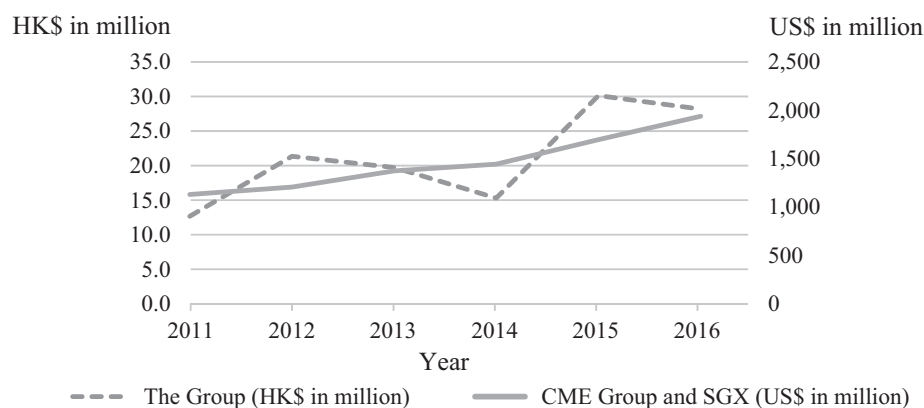
#### Brokerage fees generated by the Group v.s. total brokerage fees generated by Hong Kong retail investors from broking HKFE futures products\*



\* Source: Frost & Sullivan

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### Brokerage fees generated by the Group v.s. total brokerage fees generated by Hong Kong retail investor from broking of non-HKFE products\* (on CME Group and SGX)



\* Source: Frost & Sullivan

#### Reasons why performance of the Group has deviated from that of the market

*From 2011 to 2012:* During this period, total brokerage fees generated from retail clients in Hong Kong experienced gradual increase. However, the amount of brokerage fees generated by the Group in respect of HKFE products declined while brokerage fees generated in respect of non-HKFE products materially increased. This was mainly due to a change in focus of the Group to promote (through marketing and investor education) the trading of non-HKFE products as investors become more sophisticated and familiar with the use of global futures products for a variety of speculative and hedging purposes.

*From 2012 to 2014:* The brokerage fees generated by the Group declined over this period while total brokerage fees generated from retail investors increased. This was mainly due to (i) the Group ceasing to be part of a listed group called Fortune Financial following the re-acquisition of ownership by Mr. Poon and Mr. Chan in 2012; and (ii) more stringent internal control measures implemented by the Group in 2013 following the review of its client opening procedures, which led some Mainland Chinese to cease trading through the Group. For further details, please refer to the paragraph “Reason for troughs in financial performance over the years” in this section of the prospectus.

*From 2014 to 2015:* Senior management continued to focus on developing the futures and options business to re-gain clients confidence during this period, and through cooperation with Joinbest, a PRC investment consultancy, the Group commenced proactive marketing activities targeting retail investors in the PRC. As a result, the Group outperformed the market over this period.

*From 2015 to 2016:* Our performance during the period was in line with the overall performance of the market. For further details, please refer to the paragraphs “Breakdown of brokerage fees generated from trading activities of client over different futures exchanges markets” in this section of the prospectus.



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### Reasons for troughs in financial performance over the years

The financial performance of Excalibur Global HK experienced a downward trend in the period from 2002 to 2005 (during which period the amount of revenues generated decreased gradually from approximately HK\$11.8 million to HK\$6.1 million) mainly due to:

- (i) the amendment of rules by the Stock Exchange to remove requirements relating to minimum brokerage commission rates for stock and futures transactions which took effect from 1 April 2003; such deregulation has led to more vigorous price competition in the futures brokerage industry (including the adoption of aggressive pricing strategies such as monthly-fixed-charge plans or commission ceiling plans by some brokerages) and caused the amount of brokerage fees charged by futures brokerage firms, including Excalibur Global HK, to be subject to market forces and become susceptible to downward pressure. As such, while Excalibur Global HK did not participate in price competition nor did it offer plans and focused on providing quality services and building a reliable reputation, its revenues was adversely affected by the above general market forces during the period; and
- (ii) at the initial period when Mr. Poon and Mr. Chan acquired control over Excalibur Global HK, Mr. Poon and Mr. Chan also devoted material time and efforts in developing the securities broking business of Excalibur Securities Limited (a type 1 licensed entity acquired at the same time, but which was subsequently disposed of in 2011 as Mr. Poon and Mr. Chan determined to redirect their focus on developing business in brokering derivative products). As such, material resources (including management and marketing resources) were diverted away from the futures and options (derivatives) trading business.

The total revenues generated by Excalibur Global HK decreased materially during the initial periods when Mr. Poon and Mr. Chan re-acquired control over Excalibur Global HK in 2012 (from approximately HK\$32.4 million in 2012 to approximately HK\$23.5 million in 2014). Our Directors believe that the reason for its material decrease was due to the fact that Excalibur Global HK was no longer part of, or controlled by, Fortune Financial (a listed group which provided a wider range of brokerage and financial services including securities dealing, margin financing and corporate finance services) following the re-acquisition by Mr. Poon and Mr. Chan which:

- (i) had an impact on the confidence of some of the then clients (in particular, frequent traders) in its business due to lower visibility, transparency and accountability as a private enterprise without the backing of a listed platform; and
- (ii) meant that some existing clients of Fortune Financial were not able to enjoy a broader range of services when they used Excalibur Global HK as Excalibur Global HK had a much narrower focus in providing futures and options trading services.

This led to a material reduction in the client numbers of our Group (and therefore decreased trading volume and revenues) in this initial period. Since the re-acquisition of control of Excalibur Global HK, Mr. Poon and Mr. Chan have focused on re-gaining client confidence as well as developing the futures and options business (including commencement of the marketing strategy to including targeting of PRC retail investors and broadening the product range to include further overseas futures and options products), and which has resulted in increases in revenues in subsequent years and over the Track Record Period.



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### CONSOLIDATED STATEMENTS OF THE FINANCIAL POSITION OF THE GROUP

The following table sets out our Group's consolidated statement extracted from the Accountants' Report set out in Appendix I to this prospectus:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Property and equipment	109	101	103
Intangible assets	480	480	480
Statutory deposits	1,517	1,544	1,760
Rental deposits	—	644	644
	2,106	2,769	2,987
<b>Current assets</b>			
Accounts receivable arising from ordinary course of business of trading in futures contracts and options	10,720	11,788	7,546
Prepayment, deposits and other receivables	683	1,769	3,794
Amounts due from related parties	4,730	28	28
Financial assets at fair value through profit or loss	191	122	48
Cash and cash equivalents	26,224	10,472	9,461
	42,548	24,179	20,877
<b>Current liabilities</b>			
Accounts payables arising from ordinary course of business of trading in futures contracts and options	10,541	10,196	7,411
Other payables and accruals	1,111	1,444	880
Amounts due to a related party	45	325	325
Current tax liabilities	3,547	1,149	1,127
	15,244	13,114	9,743
<b>Net current assets</b>	27,304	11,065	11,134
<b>NET ASSETS</b>	29,410	13,834	14,121
<b>CAPITAL AND RESERVE</b>			
Share capital	—	—	—
Retained earnings	25,984	11,026	11,148
Other reserve	2,062	2,062	2,062
Non-controlling interests	1,364	746	911
<b>TOTAL EQUITY</b>	29,410	13,834	14,121

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### DISCUSSION ON MAJOR ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Accounts receivables

Our accounts receivables include receivables from cash clients, clearing house and overseas brokers. The table below sets out the composition of accounts receivables for the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
			<i>HK\$'000</i>
Accounts receivables			
— Cash clients	554	45	45
— Clearing house	2,447	4,264	3,378
— Overseas brokers	7,719	7,479	4,123
<b>Total</b>	<b>10,720</b>	<b>11,788</b>	<b>7,546</b>

#### *Accounts receivables — cash clients*

Our accounts receivable from cash clients mainly relate to deficit in margin positions of futures contracts which have not been settled by our clients following a margin calls given settlement is generally on a T+1 basis.

Our accounts receivables from cash clients decreased from approximately HK\$0.5 million as at 31 December 2015 to approximately HK\$45,000 as at each of 31 December 2016 and 30 June 2017 respectively, in each case mainly attributable to the trading activities of our cash clients in the last trading day before 31 December 2015, 31 December 2016 and 30 June 2017 respectively.

#### *Accounts receivables — Clearing house*

Under the settlement arrangement with the clearing house, all open positions held at clearing houses are treated as if they were closed out and reopened at the relevant closing quotation as determined by HKCC. Profits or losses arising from this “mark-to-market” settlement arrangement are included in accounts receivables with clearing house as such settlements on a T+1 basis.

Our accounts receivables from HKCC increased from approximately HK\$2.4 million as at 31 December 2015 to approximately HK\$4.3 million as at 31 December 2016 and then decreased to approximately HK\$3.4 million as at 30 June 2017, in each case mainly attributable to the number of open positions of futures contracts traded in HKFE held by the Group as at period end.

#### *Accounts receivables — Overseas brokers*

In accordance with our arrangements with overseas brokers, mark-to-market profits or losses are treated as if they were settled and are included in accounts receivable with brokers given settlements on a T+1 basis. The amount of accounts receivables from brokers depends on (i) all

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open positions of contracts traded via overseas brokers held by the Group; and (ii) funds that acted as cushion in relation to required margin to ensure that adverse market movement will not result in position liquidation as at period end.

To better control of the liquidity of the Group, the Group implemented a policy that it will not deposit excessive margin maintained with overseas brokers for cushioning. As such, while the balance from overseas brokers remain stable as at the year ended 31 December 2015 and 31 December 2016, and such balance decreased more materially to approximately HK\$4.1 million as at 30 June 2017.

### *Aging analysis*

The aging analysis of accounts receivables that are neither individually nor collectively considered to be impaired are as follows:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
			<i>HK\$'000</i>
Not yet past due	10,166	11,743	7,501
1–7 days	554	45	41
15–21 days	<u>—</u>	<u>—</u>	<u>4</u>
	<u>10,720</u>	<u>11,788</u>	<u>7,546</u>

As at 31 December 2015, 31 December 2016 and 30 June 2017, the total amount of accounts receivables from cash clients which were past due but not impaired amounted to approximately HK\$0.6 million, HK\$45,000 and HK\$45,000, respectively. We have not provided for impairment loss over these amounts as we are of the view that these amounts are generally recoverable, taking into account the fact that (i) the amounts relate to clients who have a good track record of repayment; and (ii) the outstanding balances are normally fully settled within the next few subsequent days. As at Latest Practicable Date, all outstanding balances of accounts receivable had been fully settled.

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### *Prepayment, deposits and other receivables*

Our prepayment, deposits and other receivables mainly represent prepayment of Listing expenses, rental deposits, interest receivables and other receivables. The table below sets out the composition of prepayment, deposits and other receivables for the dates indicated:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
			<i>HK\$'000</i>
Prepayment	33	1,719	3,744
Rental and other deposit	639	41	41
Interest receivables	2	—	—
Other receivables	<u>9</u>	<u>9</u>	<u>9</u>
<b>Total</b>	<b><u>683</u></b>	<b><u>1,769</u></b>	<b><u>3,794</u></b>

Our prepayment, deposits and other receivables increased from approximately HK\$0.7 million as at 31 December 2015 to approximately HK\$1.8 million as at 31 December 2016 mainly due to prepayment of professional fees to professional parties in the amount of approximately HK\$1.6 million in relation to the Listing, partially offset by a decrease in the portion of rental deposits and management fee deposits in respect of our office. Our prepayment, deposits and other receivables further increased to approximately HK\$3.8 million as at 30 June 2017 mainly due to prepayment of Listing expense which amounted to approximately HK\$3.7 million.

### *Cash and cash equivalents*

Our cash and cash equivalents decreased from approximately HK\$26.2 million as at 31 December 2015 to approximately HK\$10.5 million as at 31 December 2016, mainly attributable to dividend paid and Listing expenses incurred during FY2016. Our cash and cash equivalents decreased slightly to approximately HK\$9.5 million as at 30 June 2017. For further details, please refer to section headed “Liquidity and capital resources — Cash flow” in this section of the prospectus.

### *Accounts payables*

Accounts payables include payables to cash clients. The table below presents, for the years indicated, the breakdown of our Group’s accounts payables:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
			<i>HK\$'000</i>
Accounts payables			
— Cash clients	<u>10,541</u>	<u>10,196</u>	<u>7,411</u>

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Our Group maintains segregated deposit accounts with banks to hold clients' monies arising from its normal course of its brokerage business. Accounts payables to cash clients represents monies received from our cash clients for their trading of futures contracts on the HKFE and other global futures exchanges and which are repayable one Business Day demand. Further, any excess amounts deposited by our clients in excess of the required initial margin deposits stipulated by HKFE and overseas brokers are repayable to our clients one Business Day demand.

The typical settlement terms of accounts payables to cash clients arising from the business in dealing in futures contracts are one Business Day demand after the trade date.

The amount of accounts payables to cash clients as at 31 December 2015, 31 December 2016 and 30 June 2017 were approximately HK\$10.5 million, HK\$10.2 million and HK\$7.4 million on the respective dates. Due to the nature of the segregated amount, our accounts receivables would be at the similar level as to accounts payables, except for the uncollected margin as at year end. The fluctuation of accounts payables during the Track Record Period are in line with the changes in accounts receivables of the Group.

### *Other payables and accruals*

Our other payables and accruals mainly included Sharp Point charges, audit fee, accrued Listing expenses and other payables (including accounting system licence fee, provision for office reinstatement cost as required under the lease for our office).

Our other payables and accruals increased to approximately HK\$1.4 million as at 31 December 2016 from approximately HK\$1.1 million as at 31 December 2015, primarily due to the increase in amounts payables of approximately HK\$0.5 million payable to professional parties in relation to the Listing. As at 30 June 2017, our other payables and accruals decreased to approximately HK\$0.9 million from approximately HK\$1.4 million as at 31 December 2016, primarily due to a decrease in amounts payables of approximately HK\$0.5 million payable to professional parties in relation to the Listing.

### *Current tax liabilities*

Current tax liabilities are the expected tax payables on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payables in respect of previous years.

Our current tax liabilities were approximately HK\$3.5 million, HK\$1.1 million and HK\$1.1 million as at 31 December 2015, 31 December 2016 and 30 June 2017, respectively. The decrease in our tax liability at the 31 December 2016 was mainly due to payment of provisional tax in FY2016.

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### *Balance with related parties*

As at 31 December 2015, 31 December 2016 and 30 June 2017, our Group had the following balances with related parties:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
			<i>HK\$'000</i>
<i>Amounts due from related parties</i>			
Mr. Ding	100	16	16
Future Concept Limited ( <i>Note 1</i> )	7	12	12
Mr. Poon	4,623	—	—
	4,730	28	28
<i>Amounts due to a director</i>			
Mr. Poon	(45)	(325)	(325)

*Note 1:* Mr. Poon is a director of Future Concept Limited.

All outstanding balances or amounts with related parties were unsecured, interest-free and have no fixed terms of repayment. Our Directors' confirm that the outstanding balances with all the related parties will be settled prior to Listing.

### *Non-current assets*

Our non-current assets mainly consist of property and equipment, intangible assets, statutory deposits and rental deposits. Our property and equipment mainly consists of leasehold improvements, furniture and fixtures, computer equipment and office equipment used for operational purposes.

Our intangible assets consist of our HKFE trading right.

Our statutory deposits consist of reserve fund deposits with HKCC.

Rental deposits consist of the non-current portion of rental deposits and management fee deposits in respect of the lease of our office.

Our non-current assets increased to approximately HK\$2.8 million as at 31 December 2016 from approximately HK\$2.1 million as at 31 December 2015, primarily due to the inclusion of the non-current portion of rental deposits and management fee deposits as at 31 December 2016. As at 30 June 2017, our non-current assets further increased to approximately HK\$3.0 million, due to the increase of the statutory deposits, being the reserve fund deposits with HKCC.

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### LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we met our working capital and other capital requirements primarily from cash generated from our business operations. Our primary use of cash is for our business operations and we have not incurred any debt repayment or interest payment obligations.

As at 30 June 2017, we had cash and cash equivalents of approximately HK\$9.5 million and did not have any bank borrowing.

Following completion of the Listing, we expect that our liquidity requirements will be satisfied using a combination of cash generated from operating activities and net proceeds from the Share Offer. Our Directors believe that in the long term, our Group's operation will be funded by internally generated cash flows and, if necessary, additional equity and/or debt financing.

#### Cash flows

The table below sets out selected cash flow data from our combined statements of cash flows for the periods indicated:

	FY2015 HK\$'000	FY2016 HK\$'000	1H2016 HK\$'000 (unaudited)	1H2017 HK\$'000
Profit before tax	22,465	15,423	15,515	1,201
Adjustments for:				
Interest income	(65)	(4)	(3)	(1)
Loss on trading of financial assets at fair value through profit or loss	70	70	59	74
Depreciation	116	76	49	21
Gain on disposal of a subsidiary	(22)	—	—	—
Operating cash flows before movements in working capital	22,564	15,565	15,620	1,295
Net cash generated from (used in) operating activities	22,626	11,674	(8,332)	1,588
Net cash used in investing activities	(114)	(62)	(35)	(22)
Net cash used in financing activity	—	(27,364)	—	(2,577)
Net increase/(decrease) in cash and cash equivalents	22,512	(15,752)	(8,367)	(1,011)
Cash and cash equivalents at the beginning of the year/period	3,712	26,224	26,224	10,472
Cash and cash equivalents at the end of year/period	26,224	10,472	17,857	9,461

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### *Net cash generated from/used in operating activities*

Our cash flow generated from/used in operating activities consist primarily of cash generated or paid in relation to our principle business, such as brokerage fees generated from broking of futures and options products for our clients.

Net cash generated from operating activities reflects (i) profit of our Group before taxation and adjusted mainly for non-cash and non-operating items (such as depreciation and net realised loss from trading of financial assets at fair value through profit or loss); (ii) the effects of movements in working capital (such as increases or decreases in refundable deposits, accounts payable to brokerage clients or cash held on behalf of brokerage clients due to the fluctuation of client balances); and (iii) other cash items such as income tax paid.

For FY2015, our Group recorded net cash generated from operating activities of approximately HK\$22.6 million, primarily as a result of operating cash flows before movements in working capital of approximately HK\$22.6 million and a decrease in account payable of approximately HK\$12.9 million which were offset by a decrease of account receivables of approximately HK\$12.8 million and an increase in amounts due from related parties of approximately HK\$2.7 million.

For FY2016, our Group recorded net cash generated from operating activities of approximately HK\$11.6 million, primarily as a result of operating cash flows before movements in working capital of approximately HK\$15.5 million and an increase in amount due to related parties of approximately HK\$4.7 million which were partly offset by an increase in accounts receivables of approximately HK\$1.0 million, an increase in prepayment, deposits and other receivables of approximately HK\$1.7 million and income tax paid of approximately HK\$6.0 million.

For 1H2017, our Group recorded net cash generated from operating activities of approximately HK\$1.6 million, primarily as a result of operating cash flows before movements in working capital or approximately HK\$1.3 million and a decrease in accounts receivables of approximately HK\$4.2 million which were partly offset by a decrease in accounts payables of approximately HK\$2.8 million, an increase in prepayment, deposits and other receivables of approximately HK\$0.6 million, a decrease in other payables and accruals of approximately HK\$0.6 million and income tax paid of approximately HK\$0.9 million.

### *Net cash used in investing activities*

Our cash outflows in investing activities consist primarily of interest received or paid, payment for the purchase of financial assets at fair value through profit or loss, purchase of property and equipment, and the proceeds from the disposal of financial assets at fair value through profit or loss. The aforesaid financial assets include listed equity securities issued by listed companies in Hong Kong.

In FY2015, our net cash used in investing activities was approximately HK\$0.1 million, primarily attributable to (i) the purchase of listed equity securities issued by listed companies in Hong Kong; (ii) the interest received; and (iii) purchases of property and equipment.



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In FY2016, our net cash used in investing activities was approximately HK\$62,000, primarily attributable to (i) purchases of computer equipment; and (ii) interest received.

In 1H2017, our net cash used in investing activities was approximately HK\$22,000, primarily attributable to (i) purchases of computer equipment; and (ii) interest received.

### *Net cash used in financing activity*

We did not have any cash flow from financing activity in FY2015. Our cash flow used in financing activity consists of dividend paid to shareholders of the Company. In FY2016, our net cash used in financing activity was approximately HK\$27.3 million related to the payment of dividend in the amount of approximately HK\$27.4 million in FY2016. In 1H2017, our net cash used in financing activity of approximately HK\$2.6 million relate to the payment of Listing expenses during the period.

### **WORKING CAPITAL**

Taking into account the financial resources available to our Group (including the internally generated funds and the estimated net proceeds from the Share Offer), our Directors are satisfied, after due and careful enquiry, and our Sole Sponsor concurs, that in the absence of unforeseen circumstances our Group will have sufficient available working capital for its present requirements, for at least 12 months from the date of this prospectus.

### **NET ASSETS**

As at 30 June 2017, our Group had net assets of approximately HK\$14.1 million, comprising non-current assets of approximately HK\$3.0 million, total current assets of approximately HK\$20.9 million and total current liabilities of approximately HK\$9.7 million.

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### NET CURRENT ASSETS

The following table sets forth a summary of our current assets and liabilities as at the dates indicated.

	As at 31 December 2015 <i>HK\$'000</i>	As at 31 December 2016 <i>HK\$'000</i>	As at 30 June 2017 <i>HK\$'000</i>	As at 31 October 2017 <i>HK\$'000</i>
<b>Current assets</b>				
Accounts receivables arising from ordinary course of business of trading in futures contracts and options	10,720	11,788	7,546	10,042
Prepayment, deposits and other receivables	683	1,769	3,794	2,816
Amounts due from related parties	4,730	28	28	47
Financial assets at fair value through profit or loss	191	122	48	67
Cash and cash equivalents	26,224	10,472	9,461	15,292
	42,548	24,179	20,877	28,264
<b>Current liabilities</b>				
Accounts payables arising from ordinary course of business of trading in futures contracts and options	10,541	10,196	7,411	9,887
Other payables and accruals	1,111	1,444	880	2,090
Amount due to related party	45	325	325	325
Current tax liabilities	3,547	1,149	1,127	2,402
	15,244	13,114	9,743	14,704
<b>Net current assets</b>	<b>27,304</b>	<b>11,065</b>	<b>11,134</b>	<b>13,560</b>

Our current assets consist primarily of accounts receivables, prepayment, deposits and other receivables, amounts due from related parties, and cash and cash equivalents. Our current liabilities consist primarily of accounts payables, other payables and accruals, amounts due to related party and current tax liabilities.

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Deposits from clients in our futures brokerage business represent major components of our current assets and current liabilities. We include various clients' deposits as current assets, being amounts deposited with various overseas brokers and clearing house, and we include accounts payables to brokerage clients as current liabilities. Clients' deposits fluctuate with our clients' trading activities, market conditions and other external factors which are beyond our control. As a result, clients' deposits in our business are not a meaningful indicator of our financial condition or results of operations.

Our net current assets (being the difference between total current assets and total current liabilities) remained positive during the Track Record Period.

Our net current assets decreased from approximately HK\$27.3 million as at 31 December 2015 to approximately HK\$11.1 million as at 31 December 2016. This was mainly attributable to a decrease in cash and cash equivalent from approximately HK\$26.2 million as at 31 December 2015 to approximately HK\$10.5 million as at 31 December 2016 which resulted from increase in operating income which was offset by the payment of Listing expenses as well as the payment of dividends in FY2016. For further details, please refer to section headed "Liquidity and capital resources — Cash flows" in this section.

Our net current assets remained stable at approximately HK\$11.1 million as at 31 December 2016 and as at 30 June 2017.

Our net current assets increased to approximately HK\$13.6 million as at 31 October 2017. This was mainly due to the increase in cash and cash equivalent by approximately HK\$5.8 million resulted from our improved performance from July to October 2017.

Our Directors confirm that we did not have any material default in payables of trade and non-trade payables during the Track Record Period.

### INDEBTEDNESS

We do not rely on bank borrowings in the ordinary course of our futures brokerage business and did not incur any bank loan during the Track Record Period. Our Directors confirm that as at the Latest Practicable Date, we had not decided to raise any external debt financing (including by way external bank borrowings or loans).

Our Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans or other similar indebtedness, liabilities under acceptable or acceptance credits, finance leases, hire purchase commitments, guarantees or other material contingent liabilities, issued or authorised but unissued debt securities, term loans or any other borrowings or unutilised banking facilities as at the Latest Practicable Date.

#### Contingent liabilities

As of 30 June 2017 and up to the Latest Practicable Date, our Group did not have any guarantees or other material contingent liabilities.

Our Directors confirm that there had been no material change in our indebtedness and contingent liabilities since the Latest Practicable Date.

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### CAPITAL COMMITMENTS

#### Operating leases commitments

As at the end of each of the reporting year/period, our Group had outstanding commitments under non-cancellable operating lease are payables as follows:

	<b>As at 31 December</b>		<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>30 June</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
			<i>HK\$'000</i>
Within 1 year	1,477	2,259	2,259
After 1 year but within 5 years	—	3,866	2,736
	1,477	6,125	4,995

Operating lease payments represent rentals payable by our Group for its office premises. Leases and rentals are negotiated and fixed for on average for 3 years.

### CAPITAL EXPENDITURES

Our capital expenditures in FY2015, FY2016 and 1H2017 were approximately HK\$51,000, HK\$68,000 and HK\$23,000, respectively. Our capital expenditures principally comprise expenditures for the purchase of computer equipment and office equipment.

#### Planned capital expenditures

We plan to incur approximately HK\$10.2 million in the next few years on (i) the acquisition of computer and IT equipment for the purposes of enhancement of our IT capability; and (ii) the establishment of a representative office in Qianhai as disclosed in the section headed “Future plans and use of proceeds” in this prospectus. Our Directors expect that these planned capital expenditures will be funded by proceeds from the Share Offer and our internal resources.

Save as disclosed above, our Group had no material planned capital expenditures as at the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, our Group did not own any properties.

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### RELATED PARTY TRANSACTIONS

We enter into related party transactions with our related parties from time to time. The table below sets out the related party transactions of our Group during the Track Record Period as extracted from note 27 to the Accountants' Report in Appendix I to this prospectus:

Name of related party	Transaction	FY2015	FY2016	1H2016	1H2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)	
Mr. Ding, shareholder of the Group	Consultancy fee	360	360	180	180

Mr. Ding, a shareholder of our Group, was engaged as a business consultant of our Group over the Track Record Period to assist our Group's business in the PRC. Pursuant to the consultancy agreement entered between Excalibur Global HK and Mr. Ding, Excalibur Global HK paid a consultancy fee of HK\$30,000 per month to Mr. Ding. The consultancy agreement with Mr. Ding will continue after Listing.

Our Directors confirmed their views that these related party transactions were conducted on normal commercial terms and were fair and reasonable and in the interest of our Shareholders as a whole. Our Directors are also of the view that our related parties transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

For further details of these related party transactions, please refer to the section headed "Connected transactions" in this prospectus.

### DIVIDEND

Pursuant to the Articles, the Board may from time to time pay to the Shareholders such interim dividends as appear to the Board to be justified by the profits of our Company.

The Board may also pay dividends half-yearly or at other suitable intervals to be settled by it any if our Board is of the opinion that the profits of our Company justify the payment. Cash dividends on the Shares, if any, will be paid in Hong Kong dollars.

During the Track Record Period, a dividend in the amount of HK\$27.4 million in respect of FY2016 was declared and paid during FY2016. However, there is no assurance that dividends of such amount or any amount will be declared or distributed each year or in any year.

Our Board formulates our profit distribution plan based on our current and forecasted results of operations, cash flow, financial condition, future business prospects, statutory and regulatory restrictions on payment of dividends, the ability of licensed entities of the Group to meet liquid capital requirements and other factors that our Board deems relevant or important. Further, the distribution of dividends is subject to obtaining Shareholders' approval and other restrictions, including those under the Companies Act and set out in our Articles. Any restrictions on our subsidiaries' ability to pay dividends or distributions may also limit our ability to pay dividends to Shareholders as well.

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Investors should note the historical dividend distributions are not indicative of our Group's future dividend distribution policy. Where we are unable to pay dividends for any financial year following the Listing, we will disclose the reasons for failing to do so in our financial reports in the relevant year.

Currently, we do not expect to pay dividends in the year ending 31 December 2017 as we intend to use the net proceeds and our distributable reserves for significant investment and capital expenditure as outlined in our business plans as set out in the section headed "Future plans and use of proceeds" of this prospectus.

### **DISTRIBUTABLE RESERVES**

Our Company was incorporated on 13 July 2016. As at the Latest Practicable Date, we had no reserves available for distribution to our Shareholders.

### **OFF-BALANCE SHEET TRANSACTIONS**

As of Latest Practicable date, we did not have any material off-balance sheet arrangements (including any outstanding, off-balance sheet guarantees or foreign currency forward contracts) or contingencies (except as disclosed under "Contingent liabilities" in this section).

### **FACTORS AFFECTING OUR REVENUE AND NET PROFIT**

During the Track Record Period, our revenue was approximately HK\$43.4 million, HK\$40.8 million and HK\$13.6 million, respectively, and our net profit was HK\$18.9 million, HK\$11.8 million and HK\$0.3 million in FY2015, FY2016 and 1H2017, respectively. Our revenue and net profit were subject to the impact of key factors below:

— **Reliance on our top 30 clients and their respective trading activities**

Revenue from the top 30 clients of Excalibur Global HK, our key operating subsidiary, accounted for approximately 67.4%, 67.8% and 79.3% of our total revenues for FY2015, FY2016 and 1H2017, respectively. Any material change in the amount of the trading activities from these clients will directly impact on the amount of brokerage fees we are able to generate for the relevant financial period. In particular, such amount of brokerage fees may be affected by factors such as their respective financial condition and investment appetite and preference, which may in turn depend on their outlook or perception on the market based on prevailing conditions of the economy and/or market as well as other matters (such as fluctuations in interest rates, commodities prices).

— **Trading preference regarding the type of products traded by our clients**

Our revenue is affected by the trading preference in respect of products traded by our clients. During the Track Record Period, commission generated through the broking of client trades in products traded on overseas futures exchanges ("**global products**") accounted for approximately 72.1%, 69.6% and 76.7% of our total revenue during FY2015, FY2016 and 1H2017 respectively, while the remaining were generated through the broking of client trades of HKFE products. Taking into account the higher commission rate which is offset by the incurrence of additional expenses relating to overseas brokers, we generally generate higher profit margins from client trading of

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global products compared to HKFE products and therefore an increase or decrease in volume of trading of global products (vis-à-vis HKFE products) will have a greater impact on our net profits. In particular:

- (i) assuming other factors affecting our revenue and net profit remain unchanged, a 54.2% decrease in client trading volume in global products (based on the largest extent of fluctuation in revenue generated between global products and HKFE products during the Track Record Period\*) would have led to: (a) a 39.0%, 37.5% and 41.6% decrease in total revenue by FY2015, FY2016 and 1H2017, respectively; and (b) a decrease in our net profit (excluding listing expenses) by 89.6% in FY2015, 74.5% in FY2016 and 130.0% in 1H2017; and
- (ii) assuming other factors affecting our revenue and net profit remain unchanged, a 54.2% decrease in client trading volume in HKFE products (the larger extent in fluctuation between global products and HKFE products during the Track Record Period\*) would have led to: (a) a 15.1%, 16.5% and 12.6% decrease in total revenue by FY2015, FY2016 and 1H2017, respectively; and (b) a decrease in our net profit (excluding listing expenses) by 34.7% in FY2015, 32.5% in FY2016 and 39.4% in 1H2017.

\* Revenues generated from client trading of global products decreased by 9.3% from FY2015 to FY2016 and decreased by 44.9% from 1H2016 to 1H2017; and revenues generated from client trading of HKFE products increased by 2.2% from FY2015 to FY2016 and decreased by 54.2% from 1H2016 to 1H2017.

### — Salary cost of our staff

During the Track Record Period, the salary cost of our staff was a major component of our operating costs, accounting for approximately 20.8%, 30.2% and 31.1% during FY2015, FY2016 and 1H2017 respectively of our total operating costs (excluding Listing expenses). The increase in salary cost over the Track Record Period was mainly due to an increase in the number of staff and general salaries adjustment made with reference to our Group performance.

Assuming other factors affecting our revenue and net profit remain unchanged, an increase in average staff cost by 17.6% (being the extent of year-on-year or period-to-period fluctuation during the Track Record Period) would have led to a 4.0%, 7.5% and 10.6% decrease in our net profit in FY2015, FY2016 and 1H2017, respectively.

### — Incurrence of marketing expenses

During the Track Record Period, the marketing expenses of our Group accounted for approximately 19.0%, 0.6% and 0.1% of our total operating costs (excluding Listing expenses). Our marketing expenses during FY2015 were mainly paid to Joinbest, a PRC consultancy, to provide certain marketing-related services for our Group in the PRC pursuant to a cooperative agreement. Such cooperative agreement expired on 30 June 2015 and the Group decided not to renew the agreement in light of our determination to internalise our marketing efforts as part of the long-term business strategy of the Group.

## FINANCIAL INFORMATION

Assuming other factors affecting our revenue and net profit remain unchanged:

- (i) an increase in our marketing expenses by 97.4% (being the extent of year-on-year fluctuation during the Track Record Period) would have led to decreased of our net profit by 20.1%, 0.5% and 0.3% in FY2015, FY2016 and 1H2017, respectively; and
- (ii) if our marketing expenses in FY2016 were assumed to have been maintained as the same level as FY2015, then our net profit (excluding Listing expenses) would have decreased by 18.5% for FY2016.
- (iii) if our marketing expenses in 1H2017 were assumed to have been maintained as the same level as FY2015, then our net profit (excluding Listing expenses) would have decreased by 44.9% for 1H2017.

### — Incurrence of trade-related expenses

During the Track Record Period, the trade-related expenses of our Group (including commission expenses paid to AEs and overseas brokers, Sharp Point charges and exchange fees) represented 32.2%, 32.2% and 30.2% of our total operating cost (excluding Listing expenses).

Assuming other factors affecting our revenue and net profit remain unchanged, an increase by 19.1% of trade-related expenses of our Group (being the extent of year-on-year fluctuation during the Track Record Period) would have led to a decrease in our net profit by 6.7%, 5.0% and 11.3% in FY2015, FY2016 and 1H2017, respectively.

### SENSITIVITY ANALYSIS

The net profits of our Group were affected by the following major factors (i) the average commission rate per contract; (ii) the number of futures contracts traded; and (iii) trading-related expenses (comprising commissions to overseas brokers, exchange fee and Sharp Point charges). For illustrative purpose only, the following table illustrate the sensitivity analysis of the impact of hypothetical fluctuation of these factors (by 10%, 20% and 30%) on the net profits of our Group for FY2015, FY2016, 1H2016 and 1H2017, assuming that all other factors remain unchanged:

	Hypothetical increase/ (decrease) in percentage:	(Decrease)/increase in net profit for			
		1H2017 (HK\$'000)	1H2016 (HK\$'000)	FY2016 (HK\$'000)	FY2015 (HK\$'000)
Average commission rate per contract	30%	3,409	6,475	10,214	10,878
	20%	2,273	4,317	6,810	7,252
	10%	1,136	2,158	3,405	3,626
	(10)%	(1,136)	(2,158)	(3,405)	(3,626)
	(20)%	(2,273)	(4,317)	(6,810)	(7,252)
	(30)%	(3,409)	(6,475)	(10,214)	(10,878)



## FINANCIAL INFORMATION

	Hypothetical increase/ (decrease) in percentage:	(Decrease)/increase in net profit for			
		1H2017 (HK\$'000)	1H2016 (HK\$'000)	FY2016 (HK\$'000)	FY2015 (HK\$'000)
Number of contracts traded	30%	2,823	5,772	9,016	9,402
	20%	1,882	3,848	6,011	6,268
	10%	941	1,924	3,005	3,134
	(10)%	(941)	(1,924)	(3,005)	(3,134)
	(20)%	(1,882)	(3,848)	(6,011)	(6,268)
	(30)%	(2,823)	(5,772)	(9,016)	(9,402)
Trade-related expenses	30%	(702)	(842)	(1,435)	(1,767)
	20%	(468)	(561)	(957)	(1,178)
	10%	(234)	(281)	(478)	(589)
	(10)%	234	281	478	589
	(20)%	468	561	957	1,178
	(30)%	702	842	1,435	1,767

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to various types of market risks in the normal course of our business, including credit risk, interest rate risk, currency risk and liquidity risk.

#### Credit risk

Our Group's credit risk is primarily attributable to cash and cash equivalents and accounts receivables due from clients, overseas brokers and clearing house. Our Group is not exposed to significant credit risk because all bank balances are placed with recognised banks in Hong Kong and management has a credit policy in place and exposures to accounts receivables from clients are monitored on an on-going basis.

Our clients are required to deposit an initial margin before entering into a trading position. Market conditions and adequacy of margin deposits of each futures account are monitored by management on a daily basis. Margin calls are made when necessary.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined statements of financial position. Our Group do not provide any other guarantees which would expose our Group to credit risk.

#### Counterparty risk

In respect of accounts receivable from clearing houses, our credit risk is considered low as the Group normally enters into transactions with clearing houses which are registered with regulatory bodies and who have a sound reputation in the industry.

## FINANCIAL INFORMATION

In respect of accounts receivable from overseas brokers, the counterparty risk is considered low as the Group normally enters into transactions with overseas brokers which are registered with regulatory bodies in the relevant jurisdictions and with sound reputation in the industry.

### **Liquidity risk**

As part of our ordinary broking activities, our Group is exposed to liquidity risk arising from timing difference between settlement with clearing house or brokers and clients. To address the risk, our finance team works closely with the settlement staff on monitoring the Group's liquidity gap.

As a licensed corporation registered under the SFO, our Group is required to monitor our current and ongoing liquidity requirements to ensure the compliance with liquid capital requirements of the FRR. Our Group's policy is to maintain sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, our Group employs a prudent liquidity policy.

### **Operation risk**

Our senior management regularly reviews our operations to identify areas of inadequate control. Our Directors believe that our Group has established reliable margin call and dealing guidelines for its operations. Our compliance officers are responsible for overseeing our Group's compliance department with applicable regulatory requirements and the compliance officers report directly to the senior management of the Group.

### **Foreign currency risk**

Foreign currency risk refers to the risk of loss in our Group's assets denominated in foreign currency due to adverse movements in foreign exchange rates.

Our Group's transactions over the Track Record Period were mainly denominated in Hong Kong dollars and U.S. dollars. As the Hong Kong dollar is pegged to the U.S. dollar, our Group's exposure to currency risk is considered immaterial.

Other than Hong Kong dollars and U.S. dollars, as at 30 June 2017, our Group had foreign currencies in Renminbi and Japanese Yen in an amount equivalent to approximately HK\$475,000 and HK\$257,000 respectively. While there is no statutory requirement for our Group to keep significant amount of foreign currencies in-house, our Group has accounts receivables (from clients, clearing house and overseas brokers) in different currencies which are generally offset by accounts payables to clients in the relevant currencies (being margin deposits received from clients for their trading of futures and options contracts on global futures exchanges). As our Group does not have a principal position in such transactions but rather only act as an intermediary (i.e. the relevant assets in foreign currency are not assets of our Group), our Group's exposure to foreign currency risk is considered immaterial.

## FINANCIAL INFORMATION

### KEY FINANCIAL RATIOS

	As at 31 December 2015	As at 31 December 2016	As at 30 June 2017
Current ratio ( <i>Note 1</i> )	2.8 times	1.8 times	2.1 times
Quick ratio ( <i>Note 2</i> )	2.8 times	1.8 times	2.1 times
	FY2015	FY2016	1H2017
Return on equity ( <i>Note 3</i> )	64.3%	85.2%	N/A
Return on assets ( <i>Note 4</i> )	42.4%	43.7%	N/A

*Notes:*

1. Current ratio is calculated by dividing our current assets by our current liabilities as at the end of the respective financial year/period.
2. Quick ratio is calculated by dividing current assets less inventories, divided by current liabilities as the end of the respective financial year/period.
3. Return on equity is calculated by dividing profit for the year by total equity multiplied by 100%.
4. Return on assets is calculated by dividing profit for the year by total assets multiplied by 100%.

#### **Current ratio and quick ratio**

Our current ratio is derived by dividing our current assets by our current liabilities at the end of each financial period, whereas our quick ratio is derived by dividing our current assets less inventories by current liabilities at the end of each financial ratio.

Our quick ratio is the same as our current ratio since our Group did not have any inventory during the Track Record Period. Our Group's current ratio and quick ratio decreased from approximately 2.8 times as at 31 December 2015 to approximately 1.8 times as at 31 December 2016 mainly due to the decrease in cash balances as a result from the payment of Listing expenses and dividend during FY2016.

As at 30 June 2017, our current ratio and quick ratio increased to approximately 2.1 times mainly due to the decrease in other payables and accruals of approximately HK\$0.6 million.

#### **Return on assets**

Our return on assets remained stable for both FY2015 and FY2016.

#### **Return on equity**

Our return on equity increased from approximately 64.3% for FY2015 to approximately 85.2% for FY2016. The increase in return on equity was mainly due to the decrease in total equity as result of the dividend payment of approximately HK\$27.4 million.

## **FINANCIAL INFORMATION**

### **DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES**

Our Directors confirm that as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

### **UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

For the unaudited pro forma adjusted combined net tangible assets prepared in accordance with the Rule 7.31 of the GEM Listing Rules for illustrating the effect of the Share Offer as if it had taken place on 30 June 2017, please refer to Appendix II to this prospectus.

### **LISTING EXPENSES**

The expenses in relation to the Listing (including underwriting commission, professional fees, and other fees incurred in connection with the Listing) to be borne by us are expected to be approximately HK\$30.4 million (assuming an Offer Price of HK\$0.4 per Offer Share, being the midpoint of our indicative Offer Price range between HK\$0.375 and HK\$0.425 per Offer Share), of which (i) approximately HK\$9.2 million is directly attributable to the issue of Offer Shares under the Share Offer and are expected to be accounted for as a reduction from equity; and (ii) the remaining amount of approximately HK\$21.2 million has been or is expected to be reflected in our combined statements of profit or loss, of which approximately HK\$8.8 million were charged for the FY2016 and the remainder of approximately HK\$12.4 million is expected to be recognised for the financial year ended 31 December 2017.

Our Directors would like to emphasise that this predicted cost of Listing is a current estimate for reference only. As such, the actual amount may differ from these estimates and the final amount to be recognised in the combined statement of comprehensive income of our Group for the year ending 31 December 2017 is subject to adjustment based on audit and the changes in variables and assumptions.

Expenses in relation to the Listing are non-recurring in nature. Prospective investors should note that the financial performance of our Group for the year ending 31 December 2017 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may possibly result in a loss.

### **MATERIAL ADVERSE CHANGE**

Since the end of the Track Record Period and up to the Latest Practicable Date, we have continued to focus on developing our futures brokerage business. Other than the incurrence of non-recurring Listing expenses described above, our Directors confirm that up to the date of this prospectus, there has been no material adverse change in our financial or trading position since 30 June 2017 and no event had occurred since 30 June 2017 which would materially affect the information shown in our financial information included in the Accountants' Report set out in Appendix I to this prospectus.

## FUTURE PLANS AND USE OF PROCEEDS

### BUSINESS OBJECTIVES AND STRATEGIES

Our goal is to strengthen our market position as a trusted and reliable provider of futures and contracts broking services in Hong Kong.

In addition to the provision of efficient, integrated and stable online trading platform and personalised services to our clients which are a cornerstone in our success, we plan to devote resources to: (i) capitalising on opportunities arising from PRC government initiatives and reforms as well as increasing the number of sophisticated investors and HNWI in the PRC by increasing our marketing efforts in the PRC; and (ii) diversifying our product offerings and increasing our revenue streams. For further details regarding the business strategies we have adopted in order to achieve our goals and objectives, please refer to the section headed “Business — Our business strategies” of this prospectus.

### IMPLEMENTATION PLAN

Our Directors have drawn up an implementation plan for the period up to 30 June 2019 with a view to achieving our business objectives. Details of the implementation plan and expected timetable for implementation of the plan in relation to items requiring us to make material financial commitments are summarised below.

Investors should note that the implementation plan is formulated on the bases and assumptions referred to in the paragraph headed “Bases and key assumptions” set out in this section of the prospectus. These bases and assumptions are inherently subject to uncertainties and unpredictable factors, in particular risk factors set forth in the section headed “Risk factors” in this prospectus. There is no assurance that our plans will materialise in accordance with our expected time frame or that our objective will be accomplished. While the implementation plan may be affected by unforeseeable factors and matters outside our control, we will use our best endeavours to anticipate and pre-empt such factors and matters to minimise disruptions to the implementation of our plan.

	From the Latest Practicable Date to 31 December 2017 <i>HK\$'000</i>	For the six months ending 30 June 2018 <i>HK\$'000</i>	For the six months ending 31 December 2018 <i>HK\$'000</i>	For the six months ending 30 June 2019 <i>HK\$'000</i>	For the six months ending 31 December 2019 <i>HK\$'000</i>	Total amount to be funded by the net proceeds of the Share Offer <i>HK\$'000</i>
<b>(1) Strengthen our position in the futures market by enhancing our marketing resources in the PRC</b>						
— leasing of office in Qianhai	—	1,716	1,816	1,836	1,144	6,512
— renovation of a newly leased office in Qianhai	—	1,394	—	—	—	1,394
— purchase of IT equipment for newly leased office	—	2,500	—	—	—	2,500
— organise workshop for potential customers in the PRC	—	360	360	360	180	1,260
— participate in seminars held by PRC licensed companies to promote Hong Kong and global futures markets and products	—	1,449	1,449	1,521	690	5,109
— recruit 18 marketing assistants with relevant qualification and experience in the futures market	—	978	1,565	1,643	1,109	5,295
	<u>—</u>	<u>978</u>	<u>1,565</u>	<u>1,643</u>	<u>1,109</u>	<u>5,295</u>
<b>Sub-total</b>	<u>—</u>	<u>8,397</u>	<u>5,190</u>	<u>5,360</u>	<u>3,123</u>	<u>22,070</u>

## FUTURE PLANS AND USE OF PROCEEDS

	From the Latest Practicable Date to 31 December 2017 <i>HK\$'000</i>	For the six months ending 30 June 2018 <i>HK\$'000</i>	For the six months ending 31 December 2018 <i>HK\$'000</i>	For the six months ending 30 June 2019 <i>HK\$'000</i>	For the six months ending 31 December 2019 <i>HK\$'000</i>	Total amount to be funded by the net proceeds of the Share Offer <i>HK\$'000</i>
<b>(2) Establish and commence our stock option broking business</b>						
— purchase additional server for trading of stock option products	—	197	—	—	—	197
— purchase of online trading platform system for broking of stock option products	—	203	—	—	—	203
— Additional internet/software service from vendors	—	365	365	365	122	1,217
— trading right fee payable to HKEx Group	—	650	—	—	—	650
— trading right deposit payable to HKEx Group	—	1,500	—	—	—	1,500
— recruit two AEs with minimum 5 years experience in stock option market trading	—	312	394	428	312	1,344
— working capital for providing margin financing in respect of stock option products	—	9,000	—	—	—	9,000
<b>Sub-total</b>	<b>—</b>	<b>12,227</b>	<b>759</b>	<b>793</b>	<b>332</b>	<b>14,111</b>
<b>(3) Enhance the IT capability of the Group</b>						
— installation of co-location server at the HKEx	—	927	885	885	148	2,845
— upgrade firewall and security of online trading system	—	2,000	—	—	—	2,000
— upgrade margin and risk control software system	—	1,700	—	—	—	1,700
— upgrade server and storage capacity	—	700	—	—	—	700
<b>Sub-total</b>	<b>—</b>	<b>5,327</b>	<b>885</b>	<b>885</b>	<b>148</b>	<b>7,245</b>
<b>(4) Expand our manpower for providing more customised client services and to strengthen our compliance and operational and accounting capabilities</b>						
— hire one additional compliance officer with minimum 10 years experience in the futures market	—	453	494	509	361	1,817
— hire two accountants with minimum 5 years qualification and experience	—	453	494	509	361	1,817
— hire two AEs with minimum 5 years experience in the futures market	—	340	371	382	271	1,364
— hire two market research analysts with minimum 5 years experience in the futures market	—	283	309	318	226	1,136
<b>Sub-total</b>	<b>—</b>	<b>1,529</b>	<b>1,668</b>	<b>1,718</b>	<b>1,219</b>	<b>6,134</b>
<b>Total</b>	<b>—</b>	<b>27,480</b>	<b>8,502</b>	<b>8,756</b>	<b>4,822</b>	<b>49,560</b>

## FUTURE PLANS AND USE OF PROCEEDS

### REASONS FOR THE LISTING AND SHARE OFFER

Our Directors believe that the net proceeds from the Share Offer (“**Net Proceeds**”) will provide us with additional capital which will facilitate achieving our business strategies and the objectives of our implementation plan, as follows:

(i) *enhancing our marketing resources in the PRC*

Our Directors believe, as supported by findings in the Industry Report, that there will be increasing demand and appetite from PRC investors to trade in futures contracts, driven by reforms and initiatives in the PRC futures industry as well as an increasing level of disposal income and number of HNWI looking to diversify their investments in the PRC. For further details, please refer to the section headed “Business — Our business strategies” of this prospectus. As such, an increasing number of local futures brokerage firms have shifted their focus to Mainland China to expand their client base.

To capitalise on opportunities from increasing demand for futures contracts trading in the PRC and to remain competitive vis-à-vis our competitors with a presence in the PRC, we aim to devote resources to enhance our marketing efforts in the PRC. This will involve:

- (a) collaboration with, and participation in seminars organised by, futures brokerages in the PRC in which our trained staff will promote futures contracts as an investment alternative to securities as well as promote Hong Kong as a possible investment venue (in particular, in respect of Hong Kong and globally traded futures contracts);
- (b) the establishment of an office in Qianhai where we will:
  - (I) collaborate and participate with futures brokerages in the PRC to organise and hold free interactive educational events, workshops and competitions in which attendees will, through their participation, gain real experience and exposure to futures and options products and trading and become familiar with the use of our online trading platform; and
  - (II) recruit and train a team of experienced and qualified marketing staff to support our the marketing activities described above.

Our Directors believe that the “internalisation” of the above marketing activities in the PRC (rather than reliance on the engagement of Joinbest in the past for providing marketing activities as disclosed in the “Business — marketing” section of this prospectus) would be in the best interest of the Company and its Shareholders as a whole for the following reasons:

- (i) Joinbest was the largest service provider of our Group in terms of total operating costs (attributing to 19% of total operating expenses of the Group) in FY2015, and by internalising such marketing efforts, we would be able to save costs (including consulting fees paid) and free up more marketing resources to secure more organic growth of our Group in the longer-term; and

## FUTURE PLANS AND USE OF PROCEEDS

- (ii) the recruitment and training of in-house marketing staff to carry out marketing activities in the PRC would assist us to secure our future development in the PRC. In particular, we would have more control and capability (I) in extending our marketing activities beyond the Pearl River Delta Area into other parts of China; and (II) to capture more opportunities in the broader market in the PRC in a more responsive manner.

For such reasons, the Directors believe that “internalisation” of its marketing activities is in the best interest of the Group and its Shareholders as a whole. Our Directors expect that, through such marketing efforts, our Group will attract more new PRC clients over time from and beyond 2018. It is expected that the payback period (i.e. the entire amount invested and operating costs for the “internalisation” of its marketing activities being recouped and covered by accrued revenues generated from an increased number of clients) will be approximately 25 months, and it is expected that the time required for us to breakeven (i.e. the time required for the investment to generate sufficient revenue to cover its operating costs) will be approximately 11 months, i.e. by November 2018.

### *(ii) establishing and commencing our stock option trading business*

The volume of trading in derivative products (such as stock options) in the market is unpredictable and is affected by a multitude of factors including macroeconomic factors, portfolio allocation of institutional investors with bulk holdings, political stability and government policies. For FY2016, the number of stock options contracts traded on the HKEx amounted to approximately 70.1 million (compared to approximately 83.5 million futures contracts traded on the HKFE during the same period), and is indicative that there continues to be a strong demand for stock options trading in Hong Kong. In addition, the decision of our Group to commence stock options and securities margin financing business is supported by perceived demand from the clients of Excalibur Global HK. In September 2016, our Group distributed a client survey questionnaire to 745 active clients of the Group (“**2016 Survey**”) and received responses from 197 of these clients (representing 26% of the survey pool). The findings of the survey were that:

- (a) 79% of respondents indicated that they would welcome the introduction of stock options facilities if these were made available to them while 15% were indifferent; and
- (b) of those respondents who would be interested in trading stock options, 54% of them would also be interested in applying for margin loan facilities to leverage their investments (assuming that the lending rate is reasonable).

With a view to (a) expanding our product offering to existing clients; (b) attracting new clients interested in trading stock options; and (c) diversifying our revenue streams, we intend to commence the offer of stock options products trading to our clients in the near future as well as allow our clients to acquire the underlying stock of these options products upon exercising the option products on a margin basis by providing margin financing to our clients.

It is intended that part of the Net Proceeds (in the amount of HK\$9 million) will be used as capital resources for providing margin financing to clients as part of our stock option business. The amount of HK\$9 million was calculated on the basis of the expected level of margin financing which will be provided by our Group at the initial stage.



## FUTURE PLANS AND USE OF PROCEEDS

Over the Track Record Period, Excalibur Global HK was required to maintain minimum liquid capital in the amount of HK\$5 million (based on its trading volume) under the FRR and as required by the Stock Exchange as clearing participant of the HKFE. As at 30 November 2017, Excalibur Global HK had a liquid capital balance of approximately HK\$11.7 million (or approximately HK\$6.7 million in excess of the minimum liquid capital it is required to maintain, the “**regulatory buffer**”). Such regulatory buffer was materially depleted in FY2016 and 1H2017 due to the incurrence of Listing expenses. Our Directors believe that such regulatory buffer should not be further depleted through the lending of cash (liquid capital) to clients under the proposed provision of securities margin financing services (as further depletion of the regulatory buffer will increase the risk of failure of Excalibur Global HK to meet liquid capital requirements, which may potentially result in a suspension of trading).

Our Directors therefore believe that the Share Offer would be an appropriate means for raising funds to finance the lending activities of Excalibur Global HK under its proposed securities margin financing services without affecting the regulatory buffer.

The provision of such margin financing is expected to generate interest income for our Group, which will supplement our current revenue stream which is principally comprised of brokerage fees.

### *Ability of Excalibur Global HK to remove licensing condition in order to commence stock options trading*

Our Directors are of the view that Excalibur Global HK meets all the requirements under the SFO and its subsidiary legislation as well as relevant codes and guidelines prescribed by the SFC for making an application to remove the existing licensing condition on its type 1 (dealing in securities) licence with the SFC (which restricts its dealing activities to acting as introducing broker only). Such view is formed on the basis that:

- (i) Excalibur Global HK has maintained sufficient paid-up capital and liquid capital to satisfy the FRR requirements and capital requirements of the HKEx to carry out securities dealing (unrestricted type 1 regulated activity) in addition to existing regulated activities;
- (ii) Excalibur Global HK will arrange and have in place an insurance policy to carry out securities dealing required under the Securities and Futures (Insurance) Rules (Cap. 571AI of the Laws of Hong Kong) when its application to remove the existing licensing condition on its type 1 licence is approved;
- (iii) Excalibur Global HK will have suitably qualified responsible officers with relevant industry experience (with regard to the requirements under the Guideline on Competence published by the SFC) to supervise the proposed securities dealing activity when the licensing condition is lifted;
- (iv) as a licensed corporation, it already has the premises approved by the SFC for keeping records or documents required under the SFO and maintains bank accounts in Hong Kong for its operational and segregated trust accounts;

## FUTURE PLANS AND USE OF PROCEEDS

- (v) the existing business model (including, with limitation, the trading platform, recording systems, dealing policies and procedures, complaints handling procedures and mechanism, service providers, target clientele) of Excalibur Global HK is well suited to the operations of stock options trading, with adjustment as appropriate, and our Directors do not foresee material impediments from an administrative or operational perspective; and
- (vi) there will be no change in the shareholding structure of Excalibur Global HK as a result of the removing of the relevant licensing condition.

On the above basis, our Directors believe that the application by Excalibur Global HK for lifting the existing licensing condition on its type 1 (dealing in securities) licence should not be subject to material issues or impediments.

The relevant cost in relation to the establishment of the stock options broking business will be incurred substantially upfront. We expect to commence stock options trading by late 2017, and we expect to set our brokerage rates with reference to the pricing strategy of our competitors in the market.

### *(iii) enhancing the IT capability of our Group*

As set out in the section headed “Business — Our competitive strengths” section of this prospectus, our Directors believe that one of our key competitive strengths is our ability to provide an efficient, integrated and stable online trading platform for our clients. The Industry Report has also confirmed that local brokerages have continued to invest and enhance their trading systems to compete in terms of features and speed of trade execution. As such, we intend to use part of the Net Proceeds to enhance our IT systems through, among other things, (a) improving the robustness of firewall and security to counter more sophisticated virus attacks and Trojan software and to ensure a safe environment for trading; (b) upgrading our software systems for effective monitoring of margins and risks; and (c) increasing capacity of trades which may be effected through our servers at any given time through acquisition of additional storage and servers.

In addition, approximately HK\$2.8 million of the Net Proceeds would be used for the installation of a co-location server with the HKEx over the period from January 2018 to June 2019 in order to provide clients with the most efficient and reliable access to HKFE for trading of HKFE products.

The use of the co-location service of the HKEx would enable our Group to provide more reliable and speedy access to HKFE as the servers for communicating trade orders in respect of HKFE products to the HKATS would be located in the state-of-the-art data centre of the HKEx directly connected to the high speed local network of the HKEx (which provides a highly resilient and secure environment) rather than through connections from remote locations. Such arrangement would also: (i) reduce the incidence of any disruption to trading services due to any failure of telecommunication service providers to provide secure connections to the HKEx; and (ii) increase the speed of access, which would be important for professional traders (including those who engage in Algorithmic trading). Therefore, our Directors are of the view that it is necessary to incur the additional costs and re-install the co-location server with the HKEx to ensure that clients’ needs are satisfactorily met.

## FUTURE PLANS AND USE OF PROCEEDS

Our Group has previously used the co-location service of the HKEx over the period from 2013 to mid-2015 although it discontinued such service in mid-2015 as it was evident at the time that an increasing number of clients began trading in futures products listed on overseas futures exchanges rather than HKFE products.

Our Directors believe that the incurrence of additional costs for the re-installation of the co-location server is justified as:

- (a) the co-location server would:
  - (I) cater for the expected additional volume in trades that may be placed by an expected increase in number of PRC clients, following the enhancement of our Group's marketing resources in the PRC; and
  - (II) be used to serve the stock option trading business expected to be commenced in late 2017 (in lieu of additional servers which would need to be installed for the commencement of such business in any case),

and therefore would allow our Group to achieve economies of scale in terms of usage; and

- (b) the 2016 Survey found that 80% of the respondents had indicated that speed and reliable access for trading (one of our Group's competitive strengths) was the most important attribute for clients of Excalibur Global HK in engaging in the use of its services.

*(iv) expanding our manpower for providing more customised client service and to strengthen our human resources*

As confirmed by the Industry Report, it is now commonplace for futures brokers to provide value added services, including the provision of global market analyses and latest market information. As we currently do not publish any research materials for our clients, we intend to use part of the Net Proceeds to establish a research department comprising professionally qualified and experienced research analysts to (a) generate research reports, investment analyses and regular updates to assist our clients in exploring opportunities; and (b) provide support to our brokerage staff and marketing team.

Further, in order to support the expected growth of our business, we intend to hire: (a) an additional compliance officer to provide independent oversight of our business operations from a compliance perspective; (b) additional accounting staff to support our financial reporting requirements following Listing; and (c) further Staff AEs to service our clients.

Our Directors believe that the successful implementation of the our business strategies and objectives would be conducive to strengthening our market position, raising our profile and brand awareness, and increasing our competitiveness in the futures brokerage industry, which will in turn assist us to secure more clients.

## FUTURE PLANS AND USE OF PROCEEDS

In addition, our Directors believe that a Listing on GEM would (i) enable our Group to access the capital market for future growth of our business; and (ii) enhance the financial and operational transparency of our operations, and hence increase the confidence of potential clients in our Group.

### USE OF PROCEEDS

We estimate that the aggregate Net Proceeds from us from the Share Offer (after deducting the underwriting commission and other estimated expenses payable by us in connection to the Share Offer), assuming an Offer Price of HK\$0.4 per Offer Share, being the mid-point of the indicative Offer Price range between HK\$0.375 and HK\$0.425 per Offer Share will be approximately HK\$49.6 million, assuming that the Offer Size Adjustment Option is not exercised.

We currently intend to apply the Net Proceeds in the following manner:

- (i) approximately 44.5% of the total estimated Net Proceeds, or approximately HK\$22.1 million will be used for enhancing our marketing resources in the PRC;
- (ii) approximately 28.5% of the total estimated Net Proceeds, or approximately HK\$14.1 million will be used for establishing and commencing our stock options business and to provide margin financing to clients who exercise their stock options to acquire the underlying shares;
- (iii) approximately 14.6% of the total estimated Net Proceeds, or approximately HK\$7.2 million will be used for enhancing the IT capability of the Group; and
- (iv) approximately 12.4% of the total estimated Net Proceeds, or approximately HK\$6.1 million will be used for expanding our manpower for providing more customised client service and to strengthen our human resources.

In the event the Offer Size Adjustment Option is exercised in full and assuming an Offer Price of HK\$0.4 per Offer Share, being the mid-point of the indicative Offer Price range between HK\$0.375 and HK\$0.425 per Offer Share, the Net Proceeds from the Share Offer will increase by approximately HK\$11.6 million. Under such circumstances, we intend to apply such additional proceeds to the above proposed usage items on a pro-rata basis.

If the Offer Price is fixed at HK\$0.425 per Offer Share, being the high-end of the indicative Offer Price range, we will receive Net Proceeds of approximately HK\$66.7 million, assuming the Offer Size Adjustment Option is exercised in full. Under such circumstances, we will increase our proposed use of proceeds for capital resources for future margin financing activities in respect of stock options trading.

If the Offer Price is fixed at HK\$0.375 per Offer Share, being the low-end of the indicative Offer Price range, the Net Proceeds we receive will be reduced to approximately HK\$44.8 million, assuming the Offer Size Adjustment Option is not exercised. Under such circumstances, we will reduce the proposed use of proceeds for enhancing our marketing efforts in the PRC and we will fund any shortfall, if any, with our internal resources.

## **FUTURE PLANS AND USE OF PROCEEDS**

The possible use of proceeds outlined in this section may change in light of our evolving business needs and conditions and management requirements. In the event of any material modification to the use of proceeds as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required under the GEM Listing Rules.

To the extent that the Net Proceeds are not applied to the purposes set out in this section and to the extent permitted by applicable law and regulation, such proceeds will be placed on short-term interest bearing deposits with authorised institutions (as the term is defined in the Banking Ordinance).

### **BASES AND KEY ASSUMPTIONS**

We have adopted the following principal assumptions in the preparation of the future plans up to 30 June 2019:

- there will be no material adverse change in the existing political, legal, fiscal, market or economic conditions in Hong Kong or in any other places in which any member of our Group carries on its business or will carry on its business;
- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic, or market conditions in which any member of our Group operates;
- there will be no material change in the bases or rates of taxation and duties in Hong Kong;
- we will have sufficient financial resources to meet the planned capital and business development requirements during the period to which the business objectives relate;
- the Share Offer will be completed in accordance with and as described in the section headed “Structure and conditions of the Share Offer” in this prospectus;
- our Directors and key senior management will continue to be involved in the development of our existing and future development and we will be able to retain our key management personnel;
- we will be able to recruit additional key management personnel and staff when required;
- there will be no change in the funding requirement for each of the business strategies as described in this prospectus from the amount currently estimated by our Directors;
- there will be no material changes in the bases or taxation application to the activities of our Group;
- our Group will not be materially affected by the risk factors set out under the section headed “Risk factors” in this prospectus;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group;

## **FUTURE PLANS AND USE OF PROCEEDS**

- we will not be materially and adversely affected by the risk factors as set out in the section headed “Risk factors” in this prospectus; and
- we will be able to continue our operations in substantially the same manner as we have been operating during the Track Record Period and we will also be able to carry out our implementation plan without disruptions.

### **OFFER SHARES ARE FULLY UNDERWRITTEN**

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sole Sponsor and managed by the Joint Lead Managers and to be fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreements). Further information about the Underwriters and Underwriting Agreements is contained in the section headed “Underwriting” in this prospectus.

# UNDERWRITING

## UNDERWRITERS

### Joint Bookrunners and Joint Lead Managers

Alliance Capital Partners Limited

Head & Shoulders Securities Limited

### Co-lead Manager

China Finance KAB Limited

### Co-Manager

Fortune (HK) Securities Limited

### Placing Underwriters

Alliance Capital Partners Limited

Head & Shoulders Securities Limited

China Finance KAB Limited

### Public Offer Underwriters

Alliance Capital Partners Limited

Head & Shoulders Securities Limited

China Finance KAB Limited

Fortune (HK) Securities Limited

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### The Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering initially 20,000,000 Public Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on the terms and subject to the conditions of this prospectus and the Application Forms at the Offer Price.

Subject to:

- the Listing Committee of Stock Exchange granting the listing of, and permission to deal in, the Shares in issue or to be issued pursuant to the Share Offer or otherwise as mentioned in this prospectus and such listing and permission not subsequently being revoked; and

## UNDERWRITING

- certain other conditions set out in the Public Offer Underwriting Agreement being satisfied or waived on or before the dates and times as specified therein or such other dates as the Joint Lead Managers (also in their capacity as Underwriters) may agree (but in any event not later than the 30th day after the date of this prospectus),

the Public Underwriters have agreed to subscribe or procure subscribers applications, on the terms and conditions of this prospectus, the related Application Forms and the Public Offer Underwriting Agreement, for the Public Offer Shares now being offered and which are not taken up under the Public Offer.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms.

### **Grounds for termination**

The obligations of the Public Offer Underwriters to subscribe or procure subscribers for the Public Offer Shares under the Public Offer Underwriting Agreement are subject to termination. The Joint Lead Managers (for themselves and on behalf of the Co-lead Manager, the Co-Manager and the Public Offer Underwriters) shall have the right, in their sole and absolute discretion, by notice in writing to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement if it see fits upon the occurrence of, but not limited to any of the following events at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there has come to the notice of the Joint Lead Managers:
  - (i) that any statement contained in this prospectus or the Application Forms, considered by the Joint Lead Managers (for themselves and on behalf of the Co-lead Manager, the Co-Manager and the Public Offer Underwriters) in their sole and reasonable opinion to be material in relation to the Share Offer, was, when the same was issued, or has become, untrue, incorrect or misleading in any material respect or that any forecasts, expressions of opinion, intention or expectation expressed in the web proof information pack, this prospectus, the Application Forms and/or any announcements issued by our Company in connection with the Share Offer (including any supplement or amendment thereto), was not, when it was made, fair and honest and based on reasonable assumptions in any material respect; or
  - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a misstatement or omission therefrom as considered by the Joint Lead Managers (for themselves and on behalf of the Co-lead Manager, the Co-Manager and the Public Offer Underwriters) in their sole and reasonable opinion to be material to the Share Offer; or
  - (iii) any breach of any of the obligations imposed upon any party under the Public Offer Underwriting Agreement or the Placing Underwriting Agreement (other than on the Public Offer Underwriters) which the Joint Lead Managers consider to be material; or



## UNDERWRITING

- (iv) any breach, considered by the Joint Lead Managers (for themselves and on behalf of the Co-lead Manager, the Co-Manager and the Public Offer Underwriters) in their sole and reasonable opinion to be material in the context of the Share Offer, of any of the representations, warranties and undertakings given by our Company, our executive Directors, the Controlling Shareholders contained in the Public Offer Underwriting Agreement, or any event rendering any such representations and warranties to be untrue, incorrect, inaccurate or misleading in any material respect; or
- (v) any change or development involving a prospective change in the conditions, business affairs, prospects, assets, liabilities, general affairs, management, shareholders' equity, profits, losses or the financial or trading position or performance of any members of our Group which is considered by the Joint Lead Managers (for themselves and on behalf of the Co-lead Manager, the Co-Manager and the Public Offer Underwriters) in their sole and reasonable opinion to be material in the context of the Share Offer; or
- (vi) approval by the Listing Division of the listing of, and permission to deal in, the Shares in issue or to be issued under the Share Offer is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) our Company withdraws any of this prospectus, the Application Forms and/or any other documents used in connection with contemplated subscription and sale of the Offer Shares; or
- (viii) any person (other than any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in this prospectus, the Application Forms and/or any other documents used in connection with the contemplated subscription and sale of the Offer Shares or to the issue of any of such documents; or
- (ix) other than with the approval of the Joint Lead Managers, the issue or requirement to issue by our Company of any supplement or amendment to this prospectus and the Application Forms (or to any other documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance; or
- (x) any potential litigation, disputes or claims which would affect the operation, financial condition or reputation of any member of the Group in any material respect; or
- (xi) the GEM Listing Rules, the SFO or any other applicable laws, or any requirement or request of the Stock Exchange and/or the SFC where the matter to be disclosed is, in the sole and reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Co-lead Manager, the Co-Manager and the Public Offer Underwriters), materially adverse to the marketing or implementation of the Share Offer; or
- (xii) any prohibition on our Company by a governmental authority for whatever reasons from offering, allotting, issuing or selling of the Offer Shares pursuant to the terms of the Share Offer; or

## UNDERWRITING

- (xiii) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnified parties under the Public Offer Underwriting Agreement; or
  - (xiv) the Placing Underwriting Agreement and/or the Price Determination Agreement shall not have been duly executed at or before 5 January 2018 (or such other date as may be agreed between our Company and the Joint Lead Managers); or
  - (xv) the imposition of any moratorium, suspension or material restriction on trading securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or
  - (xvi) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases, which in the reasonable opinion of the Sole Sponsor and/or the Joint Lead Managers (for themselves and on behalf of the Underwriters):
    - (a) is or will be materially adverse to the business, financial condition or prospects of the Group taken as a whole; or
    - (b) has or will have a material adverse effect on the success of the Share Offer or has or will have the effect of making any part of this agreement incapable of implementation or performance in accordance with its terms; or
    - (c) makes it inadvisable or inexpedient to proceed with the Share Offer; or
- (b) there shall develop, occur, exist or come into effect:
- (i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international, financial, political, military, industrial, economic, fiscal, regulatory, currency or market conditions and matters and/or disaster or any monetary or trading settlement systems (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system, any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, any change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, or any material fluctuation in the exchange rate of Hong Kong dollars against any foreign currencies, or any interruption in the securities settlement or clearing service or procedures) in or affecting Hong Kong, China, the Cayman Islands or any other jurisdictions where any member of our Group or its major service providers is incorporated or operates (collectively, the “**Relevant Jurisdictions**” and individually, a “**Relevant Jurisdiction**”); or
  - (ii) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

## UNDERWRITING

- (iii) any event or series of events in the nature of force majeure or otherwise beyond control of the Public Offer Underwriters (whether or not covered by insurance or responsibility has been claimed) including, without limitation, acts of government, strikes, lock-outs, fire, explosions, flooding, earthquakes, epidemics, pandemics, outbreaks of infections, diseases, Severe Acute Respiratory Syndrome (SARS) and Influenza A (H5N1) and any related or mutated forms of infectious diseases, civil commotions, economic sanctions, public disorder, social or political crises, acts of war, acts of terrorism, acts of God, accidents or interruptions or delays in transportation in or affecting any Relevant Jurisdiction; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or
- (v) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, or (B) a general moratorium on commercial banking activities or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or
- (vi) any change or development involving a prospective change in taxation or exchange controls, currency exchange rates or foreign investment regulations (including without limitation a material devaluation of the Hong Kong dollar against any foreign currencies) or the implementation of any exchange control in any Relevant Jurisdiction; or
- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction; or
- (viii) any litigation, legal action or claim being threatened or instigated against any member of our Group; or
- (ix) the commencement by any governmental, law enforcement agency, regulatory or political body or organisation of any action against any Director or any member of our Group or an announcement by any governmental, law enforcement agency, regulatory or political body or organisation that it intends to take any such action; or
- (x) any Director being charged or indicted or detained with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or the commencement by any government authority of any investigation or other action against any Director in his/her capacity as such or an announcement by any government authority that it intends to investigate or take any such actions; or
- (xi) the chairman or chief executive officer of our Company vacating his office; or

## UNDERWRITING

- (xii) an order or petition for the winding up or liquidation of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or substantive part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (xiii) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription of the Shares) or any aspect of the Share Offer with the GEM Listing Rules, the Articles of Association, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the SFO or any other applicable laws and regulations; or
- (xiv) a valid demand by any creditor for repayment or payment of any indebtedness of our Company or any member of our Group or in respect of which our Company or any member of our Group is liable prior to its stated maturity; or
- (xv) any change or development involving a prospective change, or a materialisation of, any of the risk factors set out in the section headed “Risk factors” in this prospectus; or
- (xvi) any loss or damage sustained by any member of our Group (howsoever caused but excluding such loss or damage which are subject of and fully covered by any insurance or claim against any person); or
- (xvii) any adverse change or development involving a prospective change in the condition (financial or otherwise) or in the earnings, business affairs, business prospects or trading position of any member of our Group, or customer confidence, including but not limited to any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against any member of our Group, or any investigation of any member of our Group or an order or suspension of business by any government authority; or
- (xviii) other than with the approval of the Joint Lead Managers and the Public Offer Underwriters (such approval not to be unreasonably withhold), the issue or requirement to issue by our Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription for and/or purchaser of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules,

which in each case in the sole and reasonable opinion of the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters):

- (1) is/are or shall or could be expected to have a material adverse effect on the assets, liabilities, Shareholders’ equity, profits, losses, general affairs, management, business, financial, trading or other condition or prospects of our Company or our Group or any members of our Group or on any present or prospective Shareholder in his, her or its capacity as such; or

## UNDERWRITING

- (2) has or will have or could be expected to have an adverse effect on the success, marketability or pricing of the Share Offer or the level of applications under the Public Offer or the level of interest under the Placing; or
- (3) makes it impracticable, inadvisable or inexpedient for the Share Offer to proceed or to market the Share Offer or shall otherwise result in an interruption to or delay thereof; or
- (4) has or would have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) or the Share Offer incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof.

### **The Placing Underwriting Agreement**

In connection with the Placing, it is expected that our Company and our Controlling Shareholders will enter into the Placing Underwriting Agreement with, among others, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager and the Placing Underwriters on or around the Price Determination Date, on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above (except that there is no Co-Manager in the Placing Underwriting Agreement) and on the additional terms described below.

Under the Placing Underwriting Agreement, the Placing Underwriters would, subject to certain conditions, agree to subscribe or procure subscribers to subscribe for the Placing Shares being offered pursuant to the Placing.

Following the completion of the Share Offer, the Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Save for their interests and obligations under the Underwriting Agreements, the sponsorship and documentation fee payable to the Sole Sponsor in connection with the Listing, and the fee payable to the Sole Sponsor for acting as our compliance adviser, none of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Co-Manager and the Underwriters or their respective directors or employees, is interested, beneficially or otherwise, in any shares in any member of our Group or has any right (whether enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

No director or employee of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Co-Manager or the Underwriters has a directorship in our Company or any member of our Group. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement. Potential investors should note that if the Placing Underwriting Agreement is not entered into or is terminated, the Share Offer will not proceed. The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been executed, becoming unconditional and not having been terminated in accordance with its terms. It is expected that pursuant to the Placing Underwriting Agreement, our Company and the Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement.

## UNDERWRITING

### Undertakings

#### *Undertakings to the Stock Exchange pursuant to the GEM Listing Rules*

##### *By our Company*

Pursuant to Rule 17.29 of the GEM Listing Rules, our Company has undertaken to the Stock Exchange that save as pursuant to the Share Offer (including the issue and allot of Shares pursuant to the exercise of the Offer Size Adjustment Offer) or pursuant to the exercise of the options under the Share Option Scheme) it will not issue any further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date), except for those permitted in accordance with Rule 17.29 subsections (1) to (5) of the GEM Listing Rules.

##### *By our Controlling Shareholders*

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has, jointly and severally, undertaken to and covenanted with each of our Company, the Stock Exchange, the Sole Sponsor, the Joint Lead Managers and the Underwriters that, except for circumstances permitted pursuant to Rule 13.18 of the GEM Listing Rules, he shall not, and shall procure none of his associates or companies controlled by him or any nominee or trustee holding in trust for him to:

- (i) at any time during the period commencing on the date by reference to which disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which is six months from the Listing Date (“**First Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares or securities of our Company in respect of which he is shown by this prospectus to be the beneficial owner (whether directly or indirectly) (the “**Relevant Shares**”); and
- (ii) at any time during the period of six months commencing on the date on which the First Six-month Period expires (“**Second Six-month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he will cease to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

and in the event that he enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), he will take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the Shares.

## UNDERWRITING

Pursuant to Rule 13.19 of the GEM Listing Rules, each of the Controlling Shareholders has further undertaken to and covenanted with our Company, the Sole Sponsor, the Joint Lead Managers, the Underwriters and the Stock Exchange that he shall, and shall procure that the relevant registered holder(s) shall:

- (i) in the event that he pledges or charges any of his direct or indirect interest in the Shares or other securities of our Company under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules at any time during the period commencing on the date by reference to which Disclosure of the shareholding of the Controlling Shareholders is made in this prospectus and ending on the date on which the Second Six-month Period expires, he must inform our Company, the Sole Sponsor the Joint Lead Managers and the Underwriters immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules;
- (ii) having pledged or charged any of his interests in the Shares or other securities of our Company under sub-paragraph (i) above, he must inform our Company, the Sole Sponsor, the Joint Lead Managers and the Underwriters immediately in the event that he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected; and
- (iii) take any such actions necessary to ensure that he will not cease to be a controlling shareholder (as defined in the GEM Listing Rules) of the Company, for whatever reasons, during the Restricted Period.

Our Company will also inform the Stock Exchange as soon as our Company has been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of announcement in accordance with Rule 17.43 of the GEM Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

### ***Undertakings pursuant to the Public Offer Underwriting Agreement***

Pursuant to the Underwriting Agreement, our Company has undertaken to and covenanted with the Stock Exchange, the Sole Sponsor, the Joint Lead Managers and the Underwriters that our Company will not, and each of the Controlling Shareholders and executive Directors has undertaken to the Stock Exchange, the Sole Sponsor, the Joint Lead Managers and the Underwriters that he will procure our Company not to, without the prior written consent of the Sole Sponsor and/or the Joint Lead Managers, (for themselves and on behalf of the Co-lead Manager, the Co-Manager and the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules), except for the issue of Shares under the Share Offer, the Capitalisation Issue, the exercise of the Offer Size Adjustment Option or the exercise of options under the Share Option Scheme:

- (i) at any time within the First Six-month Period offer, allot, issue, agree to allot or issue, sell, lend, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, rights or warrants to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase any of the share capital or other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or



## UNDERWRITING

exchangeable for or that represent the right to receive any such share capital or securities or any interest therein), or enter into any swap, derivative, repurchase, lending, pledge or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of share capital or such other securities, in cash or otherwise, or publicly disclose that our Company will or may enter into any of the foregoing transactions (whether or not such transaction will be completed in the aforesaid period); and

- (ii) at any time during the Second Six-month Period, issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for Shares or securities of our Company or of any of its subsidiaries so as to result in any of the Controlling Shareholders ceasing to be a controlling shareholder (as defined in the GEM Listing Rules) of our Company,

and in the event our Company enters into any transaction specified in sub-paragraph (i) above during the Second Six-month Period (whether or not such transaction will be completed in the aforesaid period), it shall take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the securities of our Company.

### *Voluntary undertaking by the Controlling Shareholders to the Company*

Further to the above, our Controlling Shareholders have entered into non-disposal undertakings pursuant to which each of our Controlling Shareholders jointly and severally undertakes to the Company that:

- (i) at any time during the period of 48 months commencing on the date on which the Second Six month Period expires (the “**Restricted Period**”), they will not dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, the Relevant Shares, to the extent any one of them will cease to be a controlling shareholder (as defined in the GEM Listing Rules) of the Company, other than any pledge or charge made in favour of an authorised institution (as defined in the Banking Ordinance);
- (ii) in the event that we enter into any transaction specified in sub-paragraph (i) above (whether or not such transactions will be completed in the said period), they will take all reasonable steps to ensure that any such transaction, agreement, or as the case may be, announcement will not create a disorderly or false market in the Shares;
- (iii) they will take all such actions necessary to ensure that they will not cease to be a controlling shareholder (as defined in the GEM Listing Rules) of the Company, for whatever reasons, during the Restricted Period;
- (iv) if they pledge or charge any Relevant Shares in favour of an authorised institution (as defined in the Banking Ordinance) during the Restricted Period, they shall immediately inform the Company in writing of such pledge or charge together with the number of Relevant Shares so pledged or charged in accordance with Rule 13.19(1) of the GEM Listing Rules (as extended to apply to the entire Restricted Period) disclosing all details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and



## UNDERWRITING

- (v) at any time following any pledge or charge of Relevant Shares under sub-paragraph (iv) above, if they receive indications, either verbal or written, from any pledgee or chargee of any Relevant Shares that any of the pledged or charged Relevant Shares will be disposed of, they will immediately inform the Company in writing of such indications.

The above non-disposal undertakings by our Controlling Shareholders are beyond the requirements relating to non-disposals of the Shares under Rule 13.16A of the GEM Listing Rules and may not be revoked by the Controlling Shareholders in any circumstances except that the Company may waive the undertaking with the approval of independent Shareholders (as defined in the Chapter 17 of the GEM Listing Rules).

### **Commission and expenses**

The Underwriters will receive a combined management, praecipium and underwriting commission of 3.5% on the aggregate Offer Price of all Offer Shares (including the Shares to be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option), out of which the Underwriters will pay all sub-underwriting commission if any.

The Sole Sponsor will receive a sponsorship and documentation fee in relation to the Listing and the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters will be reimbursed for their expenses properly incurred in connection with the Share Offer.

The above underwriting commission, advisory and documentation fee and expenses, together with the Stock Exchange listing application fee, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees, and printing and other expenses relating to the Share Offer and Listing, are estimated to amount in aggregate to approximately HK\$30.4 million in total (assuming the Offer Size Adjustment Option is not exercised and based on the Offer Price of HK\$0.4 per Offer Share (being the mid-point of the indicative Offer Price range stated in this prospectus)) and are to be borne by our Company.

### **Indemnity**

Our Company and our Controlling Shareholders have agreed to indemnify the Sole Sponsor, the Joint Lead Managers, the Co-lead Manager, the Co-Manager and the Underwriters for certain losses which it may suffer, including losses arising from its performance of its obligations under the Underwriting Agreements and any breach by our Company pursuant to the terms of the Underwriting Agreement.

### **Sole Sponsor and Underwriters' interest in our Company**

Following the completion of the Share Offer, the Underwriters and their respective affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

## UNDERWRITING

Save for their interests and obligations under the Underwriting Agreements, the sponsorship and documentation fee payable to the Sole Sponsor in connection with the Listing, the fee payable to the Sole Sponsor for acting as our compliance adviser, and the fee payable to the Sole Sponsor for acting as our financial adviser, none of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Co-Manager and the Underwriters or their respective directors or employees, is interested, beneficially or otherwise, in any shares in any member of our Group or has any right (whether enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of the Group.

No director or employee of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-lead Manager, the Co-Manager or the Underwriters has a directorship in our Company or any member of our Group.

### **Compliance adviser's agreement**

The Sole Sponsor has been appointed as the compliance adviser of the Company with effect from the Listing Date until the despatch of the audited consolidated financial results for the second full financial year after the Listing Date as required under the GEM Listing Rules, and our Company will pay to the Sole Sponsor an agreed fee for its provision of services as its compliance adviser.

### **Sponsor's Independence**

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

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### THE SHARE OFFER

This prospectus is published in connection with the Share Offer. Alliance Capital is the Sole Sponsor, Alliance Capital and Head & Shoulders are the Joint Bookrunners and Joint Lead Managers of the Share Offer.

The Share Offer comprises:

- (a) the Public Offer of 20,000,000 Public Offer Shares (including 2,000,000 Employee Reserved Shares) (subject to reallocation as mentioned below), representing 10% of the Offer Shares, will be offered to members of the public in Hong Kong as further described in the paragraph “The Public Offer” below; and
- (b) the Placing of 180,000,000 Placing Shares (subject to reallocation and the Offer Size Adjustment Option as mentioned below), representing 90% of the Offer Shares which will initially be conditionally be placed with selected professional, institutional and other investors, as further described in the paragraph headed “The Placing” below.

Of the 20,000,000 Offer Shares initially being offered under the Public Offer, 2,000,000 Offer Shares (representing 1% of the total number of Offer Shares initially being offered under the Share Offer) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form.

Investors may apply for the Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may only receive shares under the Public Offer or the Placing. Eligible Employees may make an application for the Employee Reserved Shares on a **PINK** Application Form and, in addition, will be entitled to apply for Offer Shares under the Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the Placing, but may not do both. The number of Offer Shares to be offered under the Public Offer and the Placing respectively may be subject to reallocation as described in the paragraph headed “Re-allocation of the Offer Shares between the Placing and Public Offer” in this section.

### THE PLACING

#### Number of Placing Shares initially offered

Our Company is expected to offer initially 180,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer.

The Placing is expected to be fully underwritten by the Placing Underwriters (subject to satisfaction or waiver of the other conditions provided in the Placing Underwriting Agreement).

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with selected professional, institutional and private investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Private investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

### **Allocation**

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

Our Company, our Directors, the Sole Sponsor and Joint Lead Managers (for themselves and on behalf of the Underwriters) are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

The Placing is expected to be subject to the conditions as stated in the paragraph headed “Conditions of the Share Offer” below.

### **THE PUBLIC OFFER**

#### **Number of Public Offer Shares initially offered**

Our Company is initially offering 20,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters (subject to satisfaction or waiver of the other conditions provided in the Public Offer Underwriting Agreement).

Of the 20,000,000 Offer Shares initially being offered under the Public Offer, 2,000,000 Offer Shares (representing 1% of the total number of Offer Shares initially being offered under the Share Offer) are available for subscription by Eligible Employees on a preferential basis under the Employee Preferential Offering, subject to the terms and conditions set out in this prospectus and the **PINK** Application Form.

Applicants for the Public Offer Shares are required on application to pay the Offer Price of HK\$0.425 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

The Public Offer is open to all members of the public in Hong Kong as well as to institutional and professional investors. An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant's application under the Public Offer is liable to be rejected. Multiple applications or suspected multiple applications and any application made for more than 100% of the Shares initially comprised in the Public Offer (i.e. 18,000,000 Public Offer Shares after deducting 2,000,000 Employee Reserved Shares) are liable to be rejected.

### **Allocation**

Allocation of the Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. When there is oversubscription under the Public Offer, allocation of the Public Offer Shares may involve balloting, which would mean that some applicants may be allotted more Public Offer Shares than others who have applied for the same number of the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

### **RE-ALLOCATION OF THE OFFER SHARES BETWEEN PLACING AND PUBLIC OFFER**

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 60,000,000 Shares, representing 30% of the number of the Offer Shares initially available for subscription under the Share Offer;
- (b) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 80,000,000 Shares, representing 40% of the number of the Offer Shares initially available for subscription under the Share Offer; and
- (c) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 100,000,000 Shares, representing 50% of the number of the Offer Shares initially available for subscription under the Share Offer.

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Lead Managers.

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

The Joint Lead Managers will ensure that the final allocation is such that no more than 50% of the Offer Shares in public hands at the time of Listing will be beneficially owned by the three largest public Shareholders in compliance with Rule 11.23(8) of the GEM Listing Rules.

### **OFFER SIZE ADJUSTMENT OPTION**

Pursuant to the Underwriting Agreement, our Company has granted the Joint Lead Managers the Offer Size Adjustment Option, (which is exercisable by the Joint Lead Managers or their agent on behalf of the Placing Underwriters in their absolute discretion at any time during the period from the date of the Placing Underwriting Agreement to the Business Day immediately before the date of the announcement of the results of allocations and the basis of allocation of the Public Offer Shares in writing or otherwise it will lapse,) to require our Company to allot and issue up to an aggregate of 30,000,000 additional Shares, representing 15% of the total number of the Offer Shares initially being offered under the Share Offer, on the same terms as those applicable to the Share Offer.

The Offer Size Adjustment Option will not be used for price stabilisation purposes in the secondary market after listing of the Shares on the Stock Exchange and is not subject to the Securities and Futures (Price Stabilizing) Rules of the SFO. Any such additional Shares may be issued to cover any excess demand in the Placing and in the event that the Offer Size Adjustment Option is exercised, the Joint Lead Managers in their absolute discretion may decide to whom and proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, the additional 30,000,000 Shares and the Offer Shares will represent approximately 3.6% and 27.7% of our Company's enlarged share capital immediately after completion of the Share Offer and the exercise of the Offer Size Adjustment Option (but without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme).

Our Company will disclose in the announcement of the results of allocations and the basis of allocation of the Public Offer Shares whether, and to what extent, the Offer Size Adjustment Option has been exercised. In the event that the Offer Size Adjustment Option has not been exercised by the Joint Lead Managers on behalf of the Placing Underwriters, our Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.

### **THE EMPLOYEE PREFERENTIAL OFFERING**

Up to 2,000,000 Employee Reserved Shares, representing 10% of the Public Offer Shares and 1% of the total number of Offer Shares initially being offered under the Share Offer (without taking into account any Shares which may be issued and allotted upon any exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), are available for subscription by the Eligible Employees on a preferential basis.

As at the Latest Practicable Date, there were 13 Eligible Employees.

Allocation of Public Offer Shares under the Employee Preferential Offering will be based on the allocation guidelines contained in Practice Note 20 to the Listing Rules. The allocation of Employee Reserved Shares to Eligible Employees will in any event be made on an equitable basis and will not be based on the identity, seniority, work performance or length of service of the Eligible Employee. No favour will be given to any Eligible Employee who applies for a large number of Employee Reserved Shares.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Eligible Employees applying for Employee Reserved Shares will be subject to an allocation basis that is based on the level of valid applications received. The allocation basis will be determined by our Company's Hong Kong Share Registrar based on the level of valid applications received under the Employee Preferential Offering and the number of Employee Reserved Shares validly applied for within each application tier. The allocation basis will be consistent with the allocation basis commonly used in the case of over-subscriptions in public offerings in Hong Kong, where a higher allocation percentage will be applied in respect of smaller applications of Employee Reserved Shares. Any application made on a **PINK** Application Form for more than 2,000,000 Employee Reserved Shares will be rejected.

Any Offer Shares not subscribed for by the Eligible Employees under the Employee Preferential Offering will be available for subscription by the public in Hong Kong under the Public Offer after the reallocation as described above in the paragraph headed "The Public Offer".

If you are an Eligible Employee, in addition to being able to apply for Employee Reserved Shares under the Employee Preferential Offering by a **PINK** Application Form, you may also:

- apply for Public Offer Shares as a member of the public in the Public Offer on a **WHITE** or **YELLOW** Application Form or by submitting application online through the designated website of the **HK eIPO White Form** Service Provider or giving **electronic application instruction** to HKSCC via CCASS; or
- apply for or indicate an interest for Placing Shares under the Placing,

but you may not do both. Eligible Employees will receive no preference as to entitlement or allocation in respect of such further application for Public Offer Shares or Placing Shares.

### OFFER PRICE

The Offer Price will be fixed by the Price Determination Agreement on the Price Determination Date, which is expected to be on or around Thursday, 4 January 2018. If the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Friday, 5 January 2018, the Share Offer will not become unconditional and will not proceed. The Joint Lead Managers (for themselves and on behalf of the other Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range to below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.excalibur.com.hk](http://www.excalibur.com.hk) an announcement of such change on or before the Price Determination Date. Prospective investors of the Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The Offer Price will not be more than HK\$0.425 per Offer Share and is expected to be not less than HK\$0.375 per Offer Share. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus unless otherwise announced.



## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.excalibur.com.hk](http://www.excalibur.com.hk) a notice of the change and if applicable the revised date. Assuming that the Offer Size Adjustment Option is not exercised at all, the net proceeds from the Share Offer based on the Offer Price of HK\$0.4 per Share (being the mid-point of the stated range of the Offer Price) are estimated to be approximately HK\$49.6 million, after deduction of the underwriting commission and other expenses relating to the Share Offer and the Listing payable by our Company.

### PRICE PAYABLE ON APPLICATION

The Offer Price will not be more than HK\$0.425 per Offer Share and is expected to be not less than HK\$0.375 per Offer Share. Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.425 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$3,434.26 per board lot of 8,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.425 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest. Further details are set out in the section headed "How to apply for Public Offer Shares" of this prospectus.

If, for any reason, our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) is unable to reach agreement on the Offer Price on or around 5:00 p.m. on Friday, 5 January 2018, the Share Offer will not proceed and will lapse.

### ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATIONS

Our Company expects to announce the final Offer Price and the level of indication of interests in the Share Offer on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.excalibur.com.hk](http://www.excalibur.com.hk) on Thursday, 11 January 2018. **If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange a notice of the change and if applicable the revised date.**

### UNDERWRITING

The Share Offer is fully underwritten by the Underwriters under the terms of the Underwriting Agreements and is subject to our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters), agreeing on the Offer Price. We expect to enter into the Placing Agreement relating to the Placing on or around the Price Determination Date. These underwriting arrangements and the Underwriting Agreements are summarised in the section headed "Underwriting" in this prospectus.

The Sole Lead Manger will ensure that the final allocation is such that no more than 50% of the Offer Shares in public hands at the time of Listing will be beneficially owned by the three largest public Shareholders in compliance with Rule 11.23(8) at the GEM Listing Rules.



## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares will be conditional upon, among others:

- (i) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may fall to be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme or the general mandate to issue Shares referred to in Appendix IV to this prospectus and such grant and permission not subsequently being revoked prior to the Listing Date);
- (ii) the Price Determination Agreement having been executed by our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) and becoming effective on the Price Determination Date and such agreement not having been subsequently terminated; and
- (iii) the obligations of the Underwriters under each of the Public Offer Underwriting Agreement and the Placing Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Sole Sponsor and Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Underwriting Agreements not being terminated in accordance with its terms or otherwise prior to 8:00am (Hong Kong time) on the Listing Date). Details of the Underwriting Agreements, the conditions and grounds for termination, are set out in the section “Underwriting” in this prospectus, in each case, on or before the date and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day from the date of this prospectus.

Share certificate will only become valid at 8:00 am on the Listing Date, provided that the Share Offer has become unconditional and right of termination described in the section headed “Underwriting — Grounds for termination” in this prospectus has not been exercised.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms. If such conditions have not been fulfilled or waived by the Joint Lead Managers (for themselves and on behalf of the Underwriters) prior to the times and dates specified, the Share Offer will lapse, the Stock Exchange will be notified immediately and the application money will be returned to the applicants, without interest. Notice of the lapse of the Share Offer will be published by our Company on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company’s website at [www.excalibur.com.hk](http://www.excalibur.com.hk) on the next Business Day following such lapse. The terms of which the application money will be returned to the applicants are set out in the section headed “How to apply for Public Offer Shares — 13. Refund of applications monies” of this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance.

### COMMENCEMENT OF DEALINGS AND SETTLEMENT

Dealings in the Shares on GEM are expected to commence at 9:00 a.m. on Friday, 12 January 2018. Shares will be traded in board lots of 8,000 Shares each. The GEM stock code for the Shares is 8350.

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Application has been made to the Stock Exchange for listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

Details of the Share Offer will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for the Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

If you are an Eligible Employee, you may also apply for Employee Reserved Shares by using a **PINK** Application Form.

Our Company, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC (unless permitted by all applicable PRC laws and regulations to subscribe to the Public Offer).

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Joint Bookrunners or their respective agents and nominees may accept it at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you:

- are an existing beneficial owner of Shares in our Company and/any of our subsidiaries;
- are a Director or chief executive officer of our Company and/or any of its subsidiaries;
- are a connected person or core connected person (as defined in the GEM Listing Rules) of our Company or will become a connected person or core connected person of our Company immediately upon completion of the Share Offer;
- are associate or a close associate (as defined in the GEM Listing Rules) of any of the above; and/or
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

Eligible Employees may apply for the Employee Reserved Shares on a **PINK** Application Form unless they:

- are an existing beneficial owner of Shares in our Company or any of our subsidiaries or an associate (as defined in the Listing Rules) of an existing beneficial owner of Shares in our Company or any of our subsidiaries;
- are a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon the completion of the Share Offer;
- are a natural person of the PRC (except those who have complied with all relevant PRC laws and regulations in relation to such application, including but not limited to qualified domestic institutional investors);
- are a United States person or a person who is within the United States (both terms as defined under the Regulation S).

### 3. APPLYING FOR THE PUBLIC OFFER SHARES

#### Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.hkeipo.hk](http://www.hkeipo.hk).

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

For Employee Reserved Shares under the Employee Preferential Offering by an Eligible Employee, use a **PINK** Application Form.

### Where to collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 December 2017 until 12:00 noon on Thursday, 4 January 2018 from:

(a) the following address of the Underwriters:

<b>Alliance Capital Partners Limited</b>	Room 1502–1503A, Wing On House, 71 Des Voeux Road Central, Hong Kong
<b>Head &amp; Shoulders Securities Limited</b>	Room 2511, Cosco Tower, 183 Queen’s Road Central, Hong Kong
<b>China Finance KAB Limited</b>	30th Floor, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong
<b>Fortune (HK) Securities Limited</b>	35/F, Office Tower, Convention Plaza, Hong Kong

(b) or any of the following branches of the receiving bank:

#### Standard Chartered Bank (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Des Voeux Road Branch	Standard Chartered Bank Building, 4–4A, Des Voeux Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King’s Road, Quarry Bay
Kowloon	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617–623 Nathan Road, Mongkok
	San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
New Territories	Tseung Kwan O Branch	Shop G37–40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

## HOW TO APPLY FOR PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 29 December 2017 until 12:00 noon on Thursday, 4 January 2018 from:

- (i) the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- (ii) your stockbroker.

A **PINK** Application Form together with a copy of this prospectus can be collected by Eligible Employees from our Company's office at Room 2512, COSCO Tower, 183 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. on Friday, 29 December 2017 until 12:00 noon on Wednesday, 3 January 2018. Electronic copies of the **PINK** Application Form and this prospectus can be viewed from websites of our Company at <http://www.excalibur.com.hk/> and the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

### Time for lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — Excalibur Global Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the sub-branches of the receiving bank listed above, at the following times:

<b>Friday, 29 December 2017</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Saturday, 30 December 2017</b>	—	<b>9:00 a.m. to 1:00 p.m.</b>
<b>Tuesday, 2 January 2018</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Wednesday, 3 January 2018</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Thursday, 4 January 2018</b>	—	<b>9:00 a.m. to 12:00 noon.</b>

Your completed **PINK** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited — Excalibur Global Public Offer" for the payment, must be returned to our Company's office at Room 2512, COSCO Tower, 183 Queen's Road Central, Hong Kong by 12:00 noon on Wednesday, 3 January 2018.

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 4 January 2018, the last application day or such later time as described in the paragraph headed "10. Effect of bad weather on the opening of the applications lists" in this section.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you (or if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor, the Joint Bookrunners, and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- agree to disclose to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective

## HOW TO APPLY FOR PUBLIC OFFER SHARES

officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application will be governed by the laws of Hong Kong;
- represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- warrant that the information you have provided is true and accurate;
- agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying (except in respect of Employee Reserved Shares applied under the Employee Preferential Offering, if applicable);
- understand that our Company, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, any of their respective directors, officers or representatives or any other person or party involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person, other than on a **PINK** Application Form as an Eligible Employee; and
- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or



## HOW TO APPLY FOR PUBLIC OFFER SHARES

**YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

### **Terms, conditions and instructions for the PINK Application Form**

You may refer to the **PINK** Application Form for details.

## **5. APPLYING THROUGH HK EIPO WHITE FORM SERVICE**

### **General**

Individuals who meet the criteria in “Who can apply” in this section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

### **Time for submitting applications under the HK eIPO White Form**

You may submit your application online to the **HK eIPO White Form** Service Provider through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 29 December 2017 until 11:30 a.m. on Thursday, 4 January 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, 4 January 2018 or such later time under the “10. Effect of bad weather on the opening of the application lists” in this section.

### **No multiple applications**

If you apply by means of **HK eIPO White Form**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **HK eIPO White Form** service to make an application for Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **HK eIPO White Form** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System at <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

#### **Hong Kong Securities Clearing Company Limited**

Customer Service Centre  
1/F, One & Two Exchange Square,  
8 Connaught Place, Central,  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Lead Managers and the Hong Kong Branch Share Registrar.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

### Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the electronic instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors, the Sole Sponsor, the Joint Bookrunners and the Joint Lead Managers, any of their respective directors, officers or representatives or any other person or party involved in the Share Offer will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
  - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Share Offer is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer (including the Employee Preferential Offering) results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for the Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### Effect of giving electronic application instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- a. instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- b. instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the final Offer Price is less than the Maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- c. instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 8,000 Public Offer Shares. Instructions for more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for inputting electronic application instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

<b>Friday, 29 December 2017</b>	—	<b>9:00 a.m. to 8:30 p.m.</b> <i>(note 1)</i>
<b>Saturday, 30 December 2017</b>	—	<b>8:00 a.m. to 1:00 p.m.</b> <i>(note 1)</i>
<b>Tuesday, 2 January 2018</b>	—	<b>8:00 a.m. to 8:30 p.m.</b> <i>(note 1)</i>
<b>Wednesday, 3 January 2018</b>	—	<b>8:00 a.m. to 8:30 p.m.</b> <i>(note 1)</i>
<b>Thursday, 4 January 2018</b>	—	<b>8:00 a.m.</b> <i>(note 1)</i> <b>to 12:00 noon</b>

*Note:*

- <sup>(1)</sup> These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 29 December 2017 until 12:00 noon on Thursday, 4 January 2018 (24 hours daily, except on 30 December 2017 and on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, 4 January 2018, the last application day or such later time as described in the paragraph headed “10. Effect of bad weather on the opening of the application lists” in this section.

### **No multiple applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal data**

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving banker, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## **7. WARNING FOR ELECTRONIC APPLICATIONS**

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through **HK eIPO White Form** service is also only a facility provided by **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or persons applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 4 January 2018.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- (a) the principal business of that company is dealing in securities; and
- (b) you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

If you are an Eligible Employee, you may also make an application for Employee Reserved Shares by using a **PINK** Application Form. Only one application for Employee Reserved Shares is permitted per Eligible Employee under the Employee Preferential Offering. Multiple applications by any Eligible Employee via **PINK** Application Form are liable to be rejected. In addition, Eligible Employees may also apply for Offer Shares under the Public Offer.



## HOW TO APPLY FOR PUBLIC OFFER SHARES

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for the Public Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **HK eIPO White Form** service in respect of a minimum of 8,000 Public Offer Shares and if you are an Eligible Employee at the same time, you may also submit an application using a **PINK** application Form. Each application or **electronic application instruction** in respect of more than 8,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer — Offer Price” of this prospectus.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (a) a tropical cyclone warning signal number 8 or above; or
- (b) a “black” rainstorm warning, in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 4 January 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, 4 January 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable”, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Thursday, 11 January 2018 on our Company’s website at [www.excalibur.com.hk](http://www.excalibur.com.hk) and (c) the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).



## HOW TO APPLY FOR PUBLIC OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer (including the Employee Preferential Offering) will be available at the times and date and in the manner specified below:

- (a) in the announcement to be posted on our website at [www.excalibur.com.hk](http://www.excalibur.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Thursday, 11 January 2018;
- (b) from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 11 January 2018 to 12:00 midnight on Wednesday, 17 January 2018;
- (c) by telephone enquiry line by calling (852) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Thursday, 11 January 2018 to Tuesday, 16 January 2018 (excluding Saturday, Sunday and Public Holiday); and
- (d) in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 11 January 2018 to Saturday, 13 January 2018 at all the receiving bank's designated sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which we may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer" in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

**(a) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application may withdraw their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to the notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(b) If our Company or our agents exercise their discretion to reject your application:**

Our Company, the Joint Bookrunners, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(c) If the allotment of the Public Offer Shares (including the Employee Preferential Offering) is void:**

The allotment of the Public Offer Shares (including the Employee Preferential Offering) will be void if the Stock Exchange does not grant permission to list the Shares either:

- (i) within three weeks from the closing date of the application lists; or
- (ii) within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(d) If:**

- (i) you make multiple applications or are suspected of making multiple applications;
- (ii) you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- (iii) your Application Form is not completed in accordance with the stated instructions;
- (iv) your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;

## HOW TO APPLY FOR PUBLIC OFFER SHARES

- (v) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- (vi) the Underwriting Agreements do not become unconditional or are terminated;
- (vii) our Company or the Joint Bookrunners believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- (viii) your application is for more than 18,000,000 of the Public Offer Shares initially offered under the Public Offer less the number of Employee Reserved Shares; or
- (ix) your application under the Employee Preferential Offering is for more than 2,000,000 Employee Reserved Shares.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.425 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and Conditions of the Share Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, 11 January 2018.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below) and one share certificate for each Eligible Employee under the Employee Preferential Offering.

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE**, **YELLOW** or **PINK** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- (a) share certificate(s) for all the Public Offer Shares and/or Employee Reserved Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- (b) refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the final Offer Price and the maximum Offer Price per Offer Share paid on

## HOW TO APPLY FOR PUBLIC OFFER SHARES

application in the event that the final Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, 11 January 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier order(s).

If you apply by **PINK** Application Forms, your refund cheque(s) and Share certificate(s) will be sent to the Company on Thursday, 11 January 2018 and the Company will arrange for onward transmission to you.

Share certificates will only become valid at 8:00 a.m. on Friday, 12 January 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting — underwriting arrangements and expenses — Grounds for termination" in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(a) If you apply using a WHITE and/or PINK Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 11 January 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, 11 January 2018, by ordinary post and at your own risk.

***(b) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, 11 January 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 11 January 2018 or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

***(i) If you apply through a designated CCASS participant (other than a CCASS investor participant)***

For Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

***(ii) If you are applying as a CCASS investor participant***

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 11 January 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

***(c) If you apply through the HK eIPO White Form service***

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 11 January 2018, or such other date as notified by our Company as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, 11 January 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

*(d) If you apply via Electronic Application Instructions to HKSCC*

*Allocation of the Public Offer Shares*

For the purposes of allocating the Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 11 January 2018 or on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer Shares (including the Employee Reserved Shares) in the manner specified in "Publication of Results" above on Thursday, 11 January 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 11 January 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 11 January 2018.

## HOW TO APPLY FOR PUBLIC OFFER SHARES

Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications initially paid on application (including brokerage, SFC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 11 January 2018.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-34, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



## **ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF EXCALIBUR GLOBAL FINANCIAL HOLDINGS LIMITED AND ALLIANCE CAPITAL PARTNERS LIMITED**

### **Introduction**

We report on the historical financial information of Excalibur Global Financial Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-34, which comprises the combined statements of financial position of the Group as at 31 December 2015 and 2016, and 30 June 2017, the statement of financial position of the Company as at 31 December 2016 and 30 June 2017, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows, for each of the years ended 31 December 2015 and 2016, and the six months ended 30 June 2017 (the “**Relevant Periods**”), and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-34 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 December 2017 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

### **Directors' responsibility for Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 of Section B to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

### **Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Report on Historical Financial Information in Investments Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.



Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 of Section B to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's financial position as at 31 December 2016 and 30 June 2017, the Group's financial position as at 31 December 2015 and 2016, and 30 June 2017 and of the Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 1 of Section B to the Historical Financial Information.

### **Review of stub period corresponding financial information**

We have reviewed the stub period corresponding financial information of the Group which comprises the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the six months ended 30 June 2016 and other explanatory information (the "**Stub Period Corresponding Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Corresponding Financial Information in accordance with the basis of preparation and presentation set out in Note 1 of Section B to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Corresponding Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Corresponding Financial Information, for the purpose of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1 of Section B to the Historical Financial Information.

**Review on matters under the Rules Governing the Listing of Securities on the Growth Enterprise Market on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

*Dividends*

We refer to note 23(b) of Section B to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

*No financial statements for the Company*

No financial statements have been prepared for the Company since its incorporation.

**KPMG**

*Certified Public Accountants*

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

29 December 2017

## A HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by KPMG under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA (“**Underlying Financial Statements**”).

### 1 Combined statements of profit or loss and other comprehensive income

	<i>Section B</i>	Year ended		Six months ended	
		31 December		30 June	
	<i>Notes</i>	2015	2016	2016	2017
		HK\$'000	HK\$'000	(unaudited) HK\$'000	HK\$'000
<b>Revenue</b>	3	43,424	40,776	25,849	13,608
Other net (loss)/income	4	(350)	196	171	128
Gain on disposal of a subsidiary	13(a)	22	—	—	—
Salaries and other benefits	5(a)	(4,296)	(5,051)	(2,470)	(2,632)
Other operating and administrative expenses	5(b)	(16,335)	(11,660)	(6,221)	(5,838)
Listing expenses		—	(8,838)	(1,814)	(4,065)
<b>Profit before tax</b>		22,465	15,423	15,515	1,201
Income tax expense	8	(3,547)	(3,635)	(2,606)	(914)
<b>Profit for the year/period and total comprehensive income for the year/period</b>		<u>18,918</u>	<u>11,788</u>	<u>12,909</u>	<u>287</u>
<b>Attributable to:</b>					
Equity shareholders of the Company		17,751	11,042	12,344	122
Non-controlling interests		<u>1,167</u>	<u>746</u>	<u>565</u>	<u>165</u>
<b>Total comprehensive income for the year/period</b>		<u>18,918</u>	<u>11,788</u>	<u>12,909</u>	<u>287</u>

The Group had no components of comprehensive income other than “profit for the year/period” in either of the years/periods presented. Accordingly, the Group’s “total comprehensive income” was the same as the “profit for the year/period” in both years/periods.

The accompanying notes form part of the Historical Financial Information.

## 2 Combined statements of financial position

	<i>Section B Notes</i>	As at 31 December		As at
		2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	30 June 2017 <i>HK\$'000</i>
<b>Non-current assets</b>				
Property and equipment	10	109	101	103
Intangible asset	11	480	480	480
Statutory deposits	12	1,517	1,544	1,760
Other assets	15	—	644	644
		<u>2,106</u>	<u>2,769</u>	<u>2,987</u>
<b>Current assets</b>				
Accounts receivable arising from ordinary course of business of trading in futures contracts and options	14	10,720	11,788	7,546
Other assets	15	683	1,769	3,794
Amounts due from related parties	17	4,730	28	28
Financial assets at fair value through profit or loss	19	191	122	48
Cash and cash equivalents	16	26,224	10,472	9,461
		<u>42,548</u>	<u>24,179</u>	<u>20,877</u>
<b>Current liabilities</b>				
Accounts payables arising from ordinary course of business of trading in futures contracts and options	20	10,541	10,196	7,411
Other payables and accruals	21	1,111	1,444	880
Amounts due to a related party	18	45	325	325
Current tax liabilities	22	3,547	1,149	1,127
		<u>15,244</u>	<u>13,114</u>	<u>9,743</u>
<b>Net current assets</b>		<u>27,304</u>	<u>11,065</u>	<u>11,134</u>
<b>NET ASSETS</b>		<u>29,410</u>	<u>13,834</u>	<u>14,121</u>
<b>CAPITAL AND RESERVE</b>				
Share capital	23(a)	—	—	—
Retained earnings	23(b)	25,984	11,026	11,148
Other reserve	23(c)	2,062	2,062	2,062
Total equity attributable to equity shareholders of the Company		28,046	13,088	13,210
Non-controlling interest		1,364	746	911
<b>TOTAL EQUITY</b>		<u>29,410</u>	<u>13,834</u>	<u>14,121</u>

The accompanying notes form part of the Historical Financial Information.

## Statement of financial position of the Company

	<i>Section B</i>	<b>As at</b>	<b>As at</b>
	<i>Notes</i>	<b>31 December</b>	<b>30 June</b>
		<b>2016</b>	<b>2017</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current assets</b>			
Other assets	15	136	142
Amounts due from related parties	17	<u>—</u>	<u>—</u>
		-----136	-----142
<b>Current liabilities</b>			
Amount due to a subsidiary	24	<u>587</u>	<u>1,241</u>
<b>Net current liabilities</b>		<u>451</u>	<u>1,099</u>
<b>NET LIABILITIES</b>		<u>(451)</u>	<u>(1,099)</u>
<b>CAPITAL AND RESERVE</b>			
Share capital	23(a)	—	—
Accumulated deficits		<u>(451)</u>	<u>(1,099)</u>
<b>TOTAL EQUITY</b>		<u>(451)</u>	<u>(1,099)</u>

No statement of financial position as at 31 December 2015 is presented as the Company was not incorporated at that time.

The accompanying notes form part of the Historical Financial Information.

## 3 Combined statements of changes in equity

	Share capital <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Other reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interest <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
<b>At 1 January 2015</b>	—	8,233	—	8,233	2,259	10,492
Profit for the year and total comprehensive income for the year	—	17,751	—	17,751	1,167	18,918
Amount decrease in non-controlling interest ( <i>Note 23(c)</i> )	—	—	2,062	2,062	(2,062)	—
<b>At 31 December 2015 and 1 January 2016</b>	—	25,984	2,062	28,046	1,364	29,410
Profit for the year and total comprehensive income for the year	—	11,042	—	11,042	746	11,788
Dividend paid	—	(26,000)	—	(26,000)	(1,364)	(27,364)
<b>At 31 December 2016 and 1 January 2017</b>	—	11,026	2,062	13,088	746	13,834
Profit and total comprehensive income for six months	—	122	—	122	165	287
<b>At 30 June 2017</b>	—	11,148	2,062	13,210	911	14,121
<b>At 1 January 2016</b>	—	25,984	2,062	28,046	1,364	29,410
Profit and total comprehensive income for six months	—	12,344	—	12,344	565	12,909
<b>At 30 June 2016 (unaudited)</b>	—	38,328	2,062	40,390	1,929	42,319

The accompanying notes form part of the Historical Financial Information.

## 4 Combined statements of cash flows

	Year ended		Six months ended	
	2015	2016	2016	2017
			(unaudited)	
<i>Section B</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Notes</i>				
<b>Operating activities</b>				
Profit before tax	22,465	15,423	15,515	1,201
Adjustments for:				
Interest income	(65)	(4)	(3)	(1)
Loss on trading of financial assets at fair value through profit or loss	70	70	59	74
Depreciation	116	76	49	21
Gain on disposal of a subsidiary	(22)	—	—	—
<b>Operating cash flows before movements in working capital</b>	<b>22,564</b>	<b>15,565</b>	<b>15,620</b>	<b>1,295</b>
Decrease/(increase) in statutory deposits	167	(27)	(56)	(216)
Decrease/(increase) in accounts receivable arising from ordinary course of business of trading in futures contracts and options	12,799	(1,069)	2,810	4,242
Decrease/(increase) in other assets	2,417	(1,732)	(3,734)	552
(Increase)/decrease in amounts due from related parties	(2,661)	4,702	(20,381)	—
Increase in amount due to related parties	45	280	—	—
Decrease in accounts payables arising from ordinary course of business of trading in futures contracts and options	(12,938)	(345)	(3,131)	(2,785)
Increase/(decrease) in other payables and accruals	233	333	540	(564)
<b>Cash generated from/(used in) operations</b>	<b>22,626</b>	<b>17,707</b>	<b>(8,332)</b>	<b>2,524</b>
Income tax paid	—	(6,033)	—	(936)
<b>Net cash generated from/ (used in) operating activities</b>	<b>22,626</b>	<b>11,674</b>	<b>(8,332)</b>	<b>1,588</b>

	<i>Section B</i> <i>Notes</i>	Year ended 31 December		Six months ended 30 June	
		2015 HK\$'000	2016 HK\$'000	2016 (unaudited) HK\$'000	2017 HK\$'000
<b>Investing activities</b>					
Interest received		77	6	3	1
Payment for the purchase of financial assets at fair value through profit or loss		(132)	—	—	—
Purchases of property and equipment		(51)	(68)	(38)	(23)
Net cash outflow in respect of the disposal of a subsidiary	13(a)	(8)	—	—	—
<b>Net cash used in investing activities</b>		<u>(114)</u>	<u>(62)</u>	<u>(35)</u>	<u>(22)</u>
<b>Financing activity</b>					
Payment for listing expenses		—	—	—	(2,577)
Dividend paid during the year		—	(27,364)	—	—
<b>Net cash used in financing activity</b>		<u>—</u>	<u>(27,364)</u>	<u>—</u>	<u>(2,577)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		22,512	(15,752)	(8,367)	(1,011)
<b>Cash and cash equivalents at the beginning of the year/period</b>		<u>3,712</u>	<u>26,224</u>	<u>26,224</u>	<u>10,472</u>
<b>Cash and cash equivalents at the end of year/period</b>	16	<u>26,224</u>	<u>10,472</u>	<u>17,857</u>	<u>9,461</u>

The accompanying notes form part of the Historical Financial Information.



**B NOTES TO THE HISTORICAL FINANCIAL INFORMATION****1 BASIS OF PREPARATION AND PRESENTATION**

Excalibur Global Financial Holdings Limited (the “Company”) was incorporated in Cayman Islands on 13 July 2016 as an exempted company with limited liability under the Companies Law (2011 Revision) (as consolidated and revised) of the Cayman Islands.

The Company has not carried on any business since the date of its incorporation save for the group reorganisation below. The Company and its subsidiaries (together, the “Group”) mainly provide brokerage services for futures and options traded on the exchanges in Hong Kong, the United States, Japan, Singapore and the United Kingdom.

Pursuant to a group reorganisation (the “Reorganisation”) as detailed in the section headed “History, Reorganisation and corporate structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group.

Prior to the incorporation of the Company, the above mentioned principal activities were carried out by Excalibur Global Financial Group Limited (“Excalibur Global BVI”) and its subsidiaries. To rationalise the corporate structure in preparation of the listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation, as detailed in the section headed “History, Reorganisation and corporate structure” in the Prospectus. Upon completion of the Reorganisation, the Company became the holding company of the Group. As Excalibur Global BVI was controlled by Poon Kwok Wah and Chan Ying Leung before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting a newly formed entity with no substantive operations as the new holding company of Excalibur Global BVI, the former holding company of the Group, during the Relevant Periods. Accordingly, the Reorganisation has been accounted for using a principle similar to that as a reverse acquisition, with Excalibur Global BVI treated as the acquirer for accounting purposes. The Historical Financial Information has been prepared and presented as a continuation of the financial statement of Excalibur Global BVI with the assets and liabilities of Excalibur Global BVI recognised and measured at their historical carrying amounts prior to the Reorganisation.

Intra-group balances, transactions and unrealised gains/losses on intra-group transactions are eliminated in full in preparing the Historical Financial Information.

As at the date of this report, no audited financial statements have been prepared for the Company and Excalibur Global BVI, as they either have not carried on any business since the date of incorporation or are investment holding companies and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs).

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued and paid-up capital	Proportion of ownership interest		Principal activities	Name of statutory auditor
			Held by the Company	Held by the subsidiary		
Excalibur Global BVI	British Virgin Islands 6 July 2009	US\$2	100%	—	Investment Holding	N/A
New Century Excalibur Holdings Ltd	Hong Kong 29 June 2011	HK\$20,780,000	—	100%	Investment Holding	CCT & Partners CPA Limited
Excalibur Global Financial Group Ltd 駿溢環球金融集團有限公司	Hong Kong 18 November 1993	HK\$12 million	—	100%	Futures brokerage business	KPMG

All companies comprising the Group have adopted 31 December as their financial year end date.

The Historical Financial Information set out in this report have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). Further details of the significant accounting policies adopted by the Group are set out in the remainder of this Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 January 2017.

The revised and new accounting standards and interpretations issued that not yet effective for the accounting period beginning 1 January 2017 are set out in Note 30.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of measurement

The measurement basis used in the preparation of the Historical Financial Information is the historical cost basis except for financial assets that are designated at fair value through profit or loss.

### (b) Functional and presentation currency

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

### (c) Use of estimates and judgments

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the combined statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the combined statements of profit or loss and the combined statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within combined equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

**(e) Intangible assets**

The trading right held in the Hong Kong Futures Exchange Limited ("HKFE") is recognised as an intangible asset on the combined statements of financial position. It is stated at cost less impairment losses. The trading right is considered to have an indefinite useful life. The conclusion that the trading right has an indefinite useful life is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset.

**(f) Accounts receivable and other receivables**

Accounts receivable and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(h)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

**(g) Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(h)).

Depreciation is calculated to write off the cost of property and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— Leasehold improvements	Over the lease terms
— Computer equipment	33 $\frac{1}{3}$ %
— Fixture and furniture	20%
— Office equipment	20%

Both the useful life of an asset and its residual value, if any, are reviewed annually.

The carrying amounts of property and equipment are reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in the profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. The recoverable amount of an asset, or of the cash-generating unit to which it belongs, is the greater of its fair value less costs to sell and value in use. In assessing value in

use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the assets. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

**(h) Impairment of assets**

**(i) *Impairment of accounts receivable and other receivables***

Accounts receivable and other receivables that are carried at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as follows:

- For accounts receivable and other receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.
- If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

**(ii) *Impairment of other assets***

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property and equipment; and
- investments in subsidiaries

If any such indication exists, the asset's recoverable amount is estimated.

— *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

— *Reversals of impairment losses*

A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(i) Amounts payable and other payables**

Amounts payable and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

**(j) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statements.

**(k) Investments in equity securities**

The Group's policies for investments in equity securities are as follows:

Trading financial instruments are financial assets or financial liabilities which are acquired or incurred principally for the purpose of trading, or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

These financial assets and financial liabilities are carried at fair value. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividends on these investments as these are recognised in accordance with the policies set out in Note 2(o). Upon disposal or repurchase, the difference between the net sales proceeds or the net payment and the carrying value is included in profit or loss.

*Fair value measurement principles*

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially

measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Subsequent measurement of the fair value of financial instruments is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

**(l) Income tax**

Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amount of tax is recognised in other comprehensive income or directly equity, respectively.

Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

**(m) Employee benefits**

*(i) Salaries, bonuses and leave benefits*

Employee entitlements to salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are recognised when they accrue to employees. The unutilised annual leave cannot be carried forward to the next year. Any unutilised leave balances at the end of the calendar year shall be forfeited.

Employee entitlements to sick leave and maternity leave are recognised when the absences occur.

*(ii) Retirement benefits*

Retirement benefits are provided to eligible staff of the Group. Hong Kong employees enjoy retirement benefits under the Mandatory Provident Fund Scheme ("MPFS"), which is defined contribution scheme. The employer's monthly contributions to the scheme are at a maximum of 5% of each employee's monthly salary, subject to a maximum amount as required by the Mandatory Provident Schemes Authority from time to time.

The cost is charged to profit or loss for the period concerned and the assets are held separately from those of the Group. Under the MPFS, the employer's contribution is reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

**(n) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

**(o) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

All transactions related to futures and options contracts dealings and the commission income that arises are recognised and accounted for on a trade date basis. Accordingly, only those transactions whose trade dates fall within the accounting period have been taken into account.

Interest income is recognised as it accrues using the effective interest method.

Dividend income from listed investments is recognised when the share price of the investments goes ex-dividend.

Trading gains/losses from financial assets at fair value through profit or loss is recognised on a trade date basis whilst the unrealised profits or losses are recognised from valuation at the end of the Relevant Periods.

**(p) Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

**(q) Fiduciary activities**

The Group commonly acts as trustees and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals and corporations. These assets arising thereon are excluded from these Historical Financial Information, as they are not assets of the Group.

**(r) Operating lease charges**

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the combined statements of profit or loss and other comprehensive income in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the combined statements of profit or loss and other comprehensive income as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

**(s) Related parties**

- (1) A person, or a close member of that person's family, is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (2) An entity is related to the Group if any of the following conditions applies:
  - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) both entities are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (1);
  - (vii) a person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

**(t) Segregated accounts**

Segregated accounts maintained by the Group to hold clients' monies are treated as off-balance sheet items which are not recognised in the combined statements of financial position and disclosed in Note 16 to the Historical Financial Information.

**(u) Segment reporting**

Operating segments, and the amounts of each segment item reported in the Historical Financial Information, are identified from the Historical Financial Information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of businesses and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of the products and services, the nature of production process, the type of class of customers, the method used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.



**3 REVENUE**

The principal activities of the Group are futures and options broking.

Revenue represents the brokerage commission from futures and options broking.

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016 (unaudited)	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong market	12,131	12,393	6,904	3,165
Overseas markets	31,293	28,383	18,945	10,443
	<u>43,424</u>	<u>40,776</u>	<u>25,849</u>	<u>13,608</u>

**4 OTHER NET (LOSS)/INCOME**

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016 (unaudited)	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income	65	4	3	1
Exchange (loss)/gain, net	(141)	122	134	141
Loss on financial assets at fair value through profit or loss	(70)	(70)	(59)	(74)
Sundry income	105	140	93	60
House futures trading losses	(309)	—	—	—
	<u>(350)</u>	<u>196</u>	<u>171</u>	<u>128</u>

**5 PROFIT BEFORE TAX**

Profit before tax is arrived at after charging:

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016 (unaudited)	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>(a) Staff costs</i>				
Salaries and allowances	4,075	4,814	2,339	2,496
Staff welfares	40	47	34	30
Retirement scheme contributions	181	190	97	106
	<u>4,296</u>	<u>5,051</u>	<u>2,470</u>	<u>2,632</u>

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016	2017
	HK\$'000	HK\$'000	(unaudited) HK\$'000	HK\$'000
<b>(b) Other operating and administrative expenses</b>				
IT and communication expenses	5,228	4,746	2,783	2,274
Marketing expenses	3,912	101	32	13
Commission expenses	2,483	1,641	841	789
Rental expenses	2,410	2,468	1,208	1,300
Legal and professional fees	753	821	438	587
Auditors' remuneration	309	305	153	153
Depreciation of property and equipment	116	76	49	21
Other expenses	1,124	1,502	717	701
	<u>16,335</u>	<u>11,660</u>	<u>6,221</u>	<u>5,838</u>

## 6 DIRECTORS' REMUNERATION

The emoluments before individual income tax in respect of the directors who held office during the Relevant Periods are as follows:

Name	Year ended 31 December 2015				Total HK\$'000
	Director's fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	
	<b>Directors</b>				
Poon Kwok Wah, Allan	—	500	—	15	515
Chan Ying Leung	—	250	—	12	262
Lee Mei Chun	—	452	—	18	470
Total	—	1,202	—	45	1,247

Name	Year ended 31 December 2016				Total HK\$'000
	Director's fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	
	<b>Directors</b>				
Poon Kwok Wah, Allan	—	600	—	18	618
Chan Ying Leung	—	300	—	15	315
Lee Mei Chun	—	474	—	18	492
Total	—	1,374	—	51	1,425

Name	Six months ended 30 June 2016 (unaudited)				Total HK\$'000
	Director's fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	
<b>Directors</b>					
Poon Kwok Wah, Allan	—	300	—	9	309
Chan Ying Leung	—	150	—	8	158
Lee Mei Chun	—	247	—	9	256
Total	—	697	—	26	723

Name	Six months ended 30 June 2017				Total HK\$'000
	Director's fees HK\$'000	Salaries, allowance and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	
<b>Directors</b>					
Poon Kwok Wah, Allan	—	300	—	9	309
Chan Ying Leung	—	150	—	8	158
Lee Mei Chun	—	249	—	9	258
Total	—	699	—	26	725

There were no amounts paid during the Relevant Periods to the directors in connection with their retirement from employment or compensation for loss of office with the Company, or inducement to join. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

## 7 INDIVIDUALS WITH HIGHEST EMOLUMENTS

For the years ended 31 December 2015 and 2016 and the six months ended 30 June 2016 and 2017, the five individuals with highest emoluments included 2 directors, 3 directors, 3 directors and 2 directors of the Group, respectively, whose emoluments are disclosed in Note 6. The aggregate of the emoluments are as follows:

	Year ended 31 December		Six months ended 30 June	
	2015 HK\$'000	2016 HK\$'000	2016 (unaudited) HK\$'000	2017 HK\$'000
Salaries, allowance and benefits in kind	2,058	2,356	1,180	1,201
Retirement scheme contributions	81	87	44	44
Total	2,139	2,443	1,224	1,245

The number of these individuals whose remuneration fell within the following band is set out below:

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016 (unaudited)	2017
	<i>individuals</i>	<i>individuals</i>	<i>individuals</i>	<i>individuals</i>
HKD Nil to HKD 1,000,000	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

No emoluments are paid or payable to these individuals as retirement from employment or as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods.

## 8 INCOME TAX EXPENSE

### (a) Taxation in the combined statements of profit or loss and other comprehensive income represents:

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016 (unaudited)	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Current Tax</b>				
Hong Kong Profits Tax	3,547	3,954	2,925	914
Over-provision in respect of prior year	<u>—</u>	<u>(319)</u>	<u>(319)</u>	<u>—</u>
	<u>3,547</u>	<u>3,635</u>	<u>2,606</u>	<u>914</u>
<b>Deferred tax</b>				
Origination and reversal of temporary differences	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The provision for Hong Kong Profits Tax for is calculated by applying 16.5% to the estimated assessable profits during the Relevant Periods.

### (b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December		Six months ended 30 June	
	2015	2016	2016 (unaudited)	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before tax	<u>22,465</u>	<u>15,423</u>	<u>15,515</u>	<u>1,201</u>
Income tax at applicable tax rate of 16.5%	3,707	2,545	2,560	198
Tax effect of temporary differences	4	(4)	(4)	(7)
Tax effect on non-deductible expenses	160	1,402	369	733
Tax effect on non-taxable income	(15)	(1)	—	(14)
Tax effect of unused tax losses not recognised in prior year	(312)	—	—	—
Statutory tax concession	(20)	—	—	—
Over-provision in prior year	—	(319)	(319)	—
Tax losses not recognised	3	—	—	—
Others	<u>20</u>	<u>12</u>	<u>—</u>	<u>4</u>
Actual tax expense	<u>3,547</u>	<u>3,635</u>	<u>2,606</u>	<u>914</u>

## 9 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion for the purpose of this report is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on the basis as disclosed in Note 1 of Section B.

## 10 PROPERTY AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixture <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost:</b>					
At 1 January 2015	676	32	4,366	1,327	6,401
Additions	<u>—</u>	<u>9</u>	<u>36</u>	<u>6</u>	<u>51</u>
At 31 December 2015	<u>676</u>	<u>41</u>	<u>4,402</u>	<u>1,333</u>	<u>6,452</u>
<b>Accumulated depreciation:</b>					
At 1 January 2015	(676)	(20)	(4,213)	(1,318)	(6,227)
Charge for the year	<u>—</u>	<u>(5)</u>	<u>(106)</u>	<u>(5)</u>	<u>(116)</u>
At 31 December 2015	<u>(676)</u>	<u>(25)</u>	<u>(4,319)</u>	<u>(1,323)</u>	<u>(6,343)</u>
<b>Net carrying values:</b>					
At 31 December 2015	<u>—</u>	<u>16</u>	<u>83</u>	<u>10</u>	<u>109</u>
	Leasehold improvements <i>HK\$'000</i>	Furniture and fixture <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Office Equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost:</b>					
At 1 January 2016	676	41	4,402	1,333	6,452
Additions	<u>—</u>	<u>—</u>	<u>19</u>	<u>49</u>	<u>68</u>
At 31 December 2016	<u>676</u>	<u>41</u>	<u>4,421</u>	<u>1,382</u>	<u>6,520</u>
<b>Accumulated depreciation:</b>					
At 1 January 2016	(676)	(25)	(4,319)	(1,323)	(6,343)
Charge for the year	<u>—</u>	<u>(6)</u>	<u>(57)</u>	<u>(13)</u>	<u>(76)</u>
At 31 December 2016	<u>(676)</u>	<u>(31)</u>	<u>(4,376)</u>	<u>(1,336)</u>	<u>(6,419)</u>
<b>Net carrying values:</b>					
At 31 December 2016	<u>—</u>	<u>10</u>	<u>45</u>	<u>46</u>	<u>101</u>

	Leasehold improvements HK\$'000	Furniture and fixture HK\$'000	Computer equipment HK\$'000	Office Equipment HK\$'000	Total HK\$'000
<b>Cost:</b>					
At 1 January 2017	676	41	4,421	1,382	6,520
Additions	—	—	23	—	23
At 30 June 2017	676	41	4,444	1,382	6,543
<b>Accumulated depreciation:</b>					
At 1 January 2017	(676)	(31)	(4,376)	(1,336)	(6,419)
Charge for the period	—	(2)	(13)	(6)	(21)
At 30 June 2017	(676)	(33)	(4,389)	(1,342)	(6,440)
<b>Net carrying values:</b>					
At 30 June 2017	—	8	55	40	103

**11 INTANGIBLE ASSET**

	As at 31 December 2015 HK\$'000	As at 31 December 2016 HK\$'000	As at 30 June 2017 HK\$'000
HKFE trading right	480	480	480

**12 STATUTORY DEPOSITS**

	As at 31 December 2015 HK\$'000	As at 31 December 2016 HK\$'000	As at 30 June 2017 HK\$'000
Reserve fund deposit with HKFE Clearing Corporation Limited	1,517	1,544	1,760

**13 INVESTMENT IN SUBSIDIARIES**

During the Relevant Periods, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place of incorporation and business	Issued and fully paid-up capital	Attributable equity interest		Principal activities
			Direct	Indirect	
Excalibur Global Financial Group Ltd	British Virgin Islands	US\$2	100%	—	Investment holding
New Century Excalibur Holdings Ltd	Hong Kong	HK\$20,780,000	—	96%	Investment holding
Excalibur Global Financial Group Ltd 駿溢環球金融集團有限公司	Hong Kong	HK\$12 million*	—	100%	Futures brokerage business
Smart Day Capital Limited <sup>(Note 13(a))</sup>	Hong Kong	HK\$10,000	100%	—	Intra-day financing

\* On 27 May 2016, Excalibur Global Financial Group Ltd reduced its issued share capital from HK\$37,000,000 to HK\$12,000,000 by repayment of paid-up capital of HK\$25,000,000 to its shareholders.

**(a) Disposal of a subsidiary**

On 17 December 2015, the Group disposed of its entire interests in Smart Day Capital Limited at a consideration of HK\$21 to two independent third parties.

Analysis of assets and liabilities over which control was lost:

	<i>HK\$'000</i>
Bank balances	8
Other payables	<u>(30)</u>
	<u>(22)</u>
<b>Gain on disposal of a subsidiary</b>	
Consideration received	—
Net liabilities disposed of	<u>22</u>
Gain on disposal of a subsidiary	<u>22</u>
Net cash outflow arising on disposal:	
Cash and cash equivalent balances disposal of	8
Less : Consideration received in cash	<u>—</u>
	<u>8</u>

**14 ACCOUNTS RECEIVABLE ARISING FROM ORDINARY COURSE OF BUSINESS OF TRADING IN FUTURES CONTRACTS AND OPTIONS**

	<b>As at 31 December 2015</b>	<b>2016</b>	<b>As at 30 June 2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accounts receivable			
— Cash clients	554	45	45
— Clearing house	2,447	4,264	3,378
— Overseas brokers	<u>7,719</u>	<u>7,479</u>	<u>4,123</u>
	<u>10,720</u>	<u>11,788</u>	<u>7,546</u>

**Aging analysis**

The normal settlement terms of accounts receivable from cash clients and clearing house and overseas brokers are one day after trade date.

The aging analysis of accounts receivable that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December		As at 30 June
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
0–30 days	<u>10,720</u>	<u>11,788</u>	<u>7,546</u>

Accounts receivable that were past due but not impaired relate to a number of independent customers that either have a good track record for repayment with the Group or fully settled the outstanding balances within a few days subsequently. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances would be fully recoverable within a short period. The Group does not hold any collateral over these balances.

Impairment loss in respect of receivables from clients are recorded using an allowance account unless the Group considered that recovery of the amount is remote in which case the impairment loss is written off against client receivables directly (see Note 2(h)).

## 15 OTHER ASSETS

### The Group

	As at 31 December		As at 30 June
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
<b>Current assets</b>			
Prepayments	33	1,719	3,744
Rental and other deposits	639	41	41
Interest receivables	2	—	—
Other receivables	<u>9</u>	<u>9</u>	<u>9</u>
	683	1,769	3,794
<b>Non-current assets</b>			
Rental and management fee deposits	<u>—</u>	<u>644</u>	<u>644</u>
	<u>683</u>	<u>2,413</u>	<u>4,438</u>

### The Company

	As at	As at
	31 December	30 June
	2016	2017
	HK\$'000	HK\$'000
<b>Current assets</b>		
Prepayments	<u>136</u>	<u>142</u>

Except for rental and management fee deposits, all of the prepayments, deposits and receivables are expected to be recovered or recognised as expenses within one year.



## 16 CASH AND CASH EQUIVALENTS

	As at 31 December		As at 30 June
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Cash at banks and on hand	26,224	10,472	9,461

The Group maintains segregated accounts with authorised institutions as a result of its normal business transactions. Segregated accounts not otherwise dealt with in these account amounted to HK\$34,664,000, HK\$41,388,000, HK\$36,816,000 as at 31 December 2015 and 2016 and 30 June 2017 respectively.

## 17 AMOUNTS DUE FROM RELATED PARTIES

## The Group

	As at 31 December		As at 30 June
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Ding Yimin (shareholder of the Group)	100	16	16
Future Concept Limited	7	12	12
Poon Kwok Wah, Allan (director of the Group)	4,623	—	—
	<u>4,730</u>	<u>28</u>	<u>28</u>

At Company level, amounts due from related parties represent amounts due from Poon Kwok Wah, Allan (shareholder of the Company) of HK\$190 and HK\$190 as at 31 December 2016 and 30 June 2017 respectively, and Chan Ying Leung (shareholder of the Company) of HK\$190 and HK\$190 as at 31 December 2016 and 30 June 2017 respectively.

The amounts are unsecured, interest-free, have no fixed terms of repayment and are non-trade in nature.

Poon Kwok Wah, Allan is a director of Future Concept Limited and the Group.

## 18 AMOUNTS DUE TO A RELATED PARTY

	As at 31 December		As at 30 June
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Poon Kwok Wah, Allan (director of the Group)	45	325	325

The amounts are unsecured, interest-free, have no fixed terms of repayment and are non-trade in nature.

## 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		As at 30 June
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Long positions in trading securities			
— Equity securities listed in Hong Kong	191	122	48

The fair values of the above listed securities were determined basing on the quoted market bid prices available on the Stock Exchange.

**20 ACCOUNT PAYABLES ARISING FROM ORDINARY COURSE OF BUSINESS OF TRADING IN FUTURES CONTRACTS AND OPTIONS**

	As at 31 December		As at 30 June
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Account payables			
— Cash clients	10,541	10,196	7,411

Account payables to clients arising from the business of trading in futures contracts and options are margin deposits received from clients for their trading of futures contracts and options on the HKFE and overseas exchanges through overseas brokers.

All of the accounts payables are repayable on demand.

**21 OTHER PAYABLES AND ACCRUALS**

Other payables and accruals are unsecured and are expected to be settled within one year.

**22 INCOME TAX IN THE COMBINED STATEMENTS OF FINANCIAL POSITION**

**Current taxation in the combined statements of financial position**

	As at 31 December		As at 30 June
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Provision for Hong Kong Profits tax	3,547	1,149	1,127

**23 SHARE CAPITAL AND RESERVES**

**(a) Share capital**

	As at 31 December				As at 30 June	
	2015		2016		2017	
	No. of shares	HK\$'000	No. of shares	HK\$'000	No. of shares	HK\$'000
Ordinary shares, issued and fully paid:	38,000	—	38,000	—	38,000	—

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Since the Reorganisation was not completed as at 30 June 2017, the capital in the combined statements of financial position as at the respective reporting date represented the aggregate amount of capital of the companies comprising the Group.

*Capital management*

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern.

The Group defines "capital" as including all components of equity less unaccrued proposed dividends. Trading balances that arise as a result of trading transactions with other group companies are not regarded by the Group as capital. On this basis the amount of capital employed amounted to HK\$29,410,000, HK\$13,834,000, HK\$14,121,000 as at 31 December 2015 and 2016 and 30 June 2017 respectively.

The Group's capital structure is regularly reviewed and managed with due regard to the capital management practices of the Group to which the Group belongs. Adjustments are made to the capital structure in light of changes in economic conditions affecting the Company or the Group, to the extent that these do not conflict with the directors' fiduciary duties towards the Group or the requirements of the Hong Kong Companies Ordinance. The results of the directors' review of the Group's capital structure are used as a basis for the determination of the level of dividends, if any, that are declared.

Excalibur Global Financial Group Limited, a subsidiary of the Group, as a licensed corporation registered under the Hong Kong Securities and Futures Ordinance, is subject to the capital requirements of the Hong Kong Securities and Futures (Financial Resources) Rules ("FRR"). The minimum paid-up share capital requirement is HK\$5,000,000 and the minimum liquid capital requirement is the higher of HK\$3,000,000 and the variable required liquid capital as defined in the FRR. Except for a technical breach from 1 January 2015 to 27 April 2015 due to misinterpretation of the FRR, the subsidiary complied with the liquid capital requirements under FRR for the year ended 31 December 2015 and 2016, and the six months ended 30 June 2017.

**(b) Retained earnings**

Retained earnings are accumulated profit or loss since incorporation. Within retained earnings, a gain on bargain purchase of HK\$9,223,000 was recognised as a result of the acquisition of 80% shares of New Century Excalibur Holdings Limited on 19 October 2012.

During the year ended 31 December 2016, an interim dividend of HK\$26,000,000 and HK\$1,364,000 were declared and paid to the shareholders of the Company and non-controlling shareholder of the subsidiary — New Century Excalibur Holdings Ltd.

**(c) Other reserve**

On 9 July 2015, the Group further acquired 16% of the issued share capital of New Century Excalibur Holdings Limited, at a consideration of HK\$4,000,000, resulting in a gain of HK\$2,062,000 recognised in other reserve.

**24 AMOUNT DUE TO A SUBSIDIARY**

The Company's amount due to a subsidiary is unsecured, interest-free and repayable on demand.

**25 FINANCIAL INSTRUMENTS**

**(a) Credit risk**

The Group's credit risk is primarily attributable to cash and cash equivalents and accounts receivable due from clients, clearing houses and overseas brokers.

Smart Day Capital Limited, one of the subsidiaries in the Group, provided intra-day financing to a selected group of clients to facilitate the intra-day trading business. The intra-day financing arrangement was interest-free and repaid within the same day. No repayment issue was noted by the management and this arrangement had been discontinued upon the disposal of Smart Day Capital Limited in December 2015.

Apart from this intra-day financing arrangement, the Group is not exposed to significant credit risk because all bank balances are placed with recognised banks in Hong Kong and management has a credit policy in place and exposures to accounts receivables from clients are monitored on an on-going basis. Transactions are limited to high-credit-quality financial institutions and only brokers with sound credit ratings will be accepted.

Initial margin from client is required before entering a trading position. Market conditions and adequacy of margin deposits of each futures account are monitored by management on a daily basis. Margin calls are made when necessary. In respect of accounts receivables from clearing house, credit risk is considered low as the Group normally enters into transactions with clearing house which are registered with regulatory bodies and with sound reputation in the industry.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the combined statements of financial position. The Group does not provide any other guarantees which would expose the Group to credit risk.

**(b) Liquidity risk**

As a licensed corporation registered under the Hong Kong Securities and Futures Ordinance, Excalibur Global Financial Group Limited, a subsidiary of the Group, is required to monitor its current and ongoing liquidity requirements to ensure the compliance with liquid capital requirements of the FRR.

The Group's policy is to maintain sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group employs a prudent liquidity policy.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contracted undiscounted payments, was as follows:

	Carrying amount <i>HK\$'000</i>	Total contractual undiscounted cash flow <i>HK\$'000</i>	On demand <i>HK\$'000</i>	Within 6 months <i>HK\$'000</i>
<b>At 31 December 2015</b>				
Account payables arising from ordinary course of business of trading in futures contracts and options	10,541	10,541	10,541	—
Other payables and accruals	1,111	1,111	—	1,111
Current tax liabilities	3,547	3,547	—	3,547
	<u>3,547</u>	<u>3,547</u>	<u>—</u>	<u>3,547</u>
<b>At 31 December 2016</b>				
Account payables arising from ordinary course of business of trading in futures contracts and options	10,196	10,196	10,196	—
Other payables and accruals	1,444	1,444	—	1,444
Current tax liabilities	1,149	1,149	—	1,149
	<u>1,149</u>	<u>1,149</u>	<u>—</u>	<u>1,149</u>
<b>At 30 June 2017</b>				
Account payables arising from ordinary course of business of trading in futures contracts and options	7,411	7,411	7,411	—
Other payables and accruals	880	880	—	880
Current tax liabilities	1,127	1,127	—	1,127
	<u>1,127</u>	<u>1,127</u>	<u>—</u>	<u>1,127</u>

**(c) Interest rate risk**

Financial assets such as accounts receivable, bank balances and cash-deposits with regulatory bodies are primarily interest-generating at floating rates. The Group's income and operating cash flows are not subject to significant interest rate risk.

**(d) Currency risk**

The Group's functional currency is Hong Kong dollars. The Group is exposed to currency risk primarily through provision of brokerage service for futures and options trading giving rise to receivables, payables and cash balances that are denominated in other currencies, being United States dollars (USD), Chinese Yuan (CNY), British Pounds (GBP), Japanese Yen (JPY) and Eurodollars (EUR).

As the Hong Kong dollar (HKD) is pegged to the USD, the Group considers the risk of movements in exchange rates between the HKD and the USD to be insignificant. In respect of balances denominated in CNY, GBP, JPY and EUR, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The management monitors all the foreign currency positions on a daily basis.

*Exposure to currency risk and sensitivity analysis*

The Group's net exposure to CNY, GBP, JPY and EUR at the reporting date and the estimated impact to the Group's profit before tax and retained profits for the year had the foreign exchange rate of respective currency at the date are illustrated below. In this respect, it is assumed that the pegged rate between the HKD and the USD would be materially unaffected by any changes in movement in value of the USD against other currencies.

	As at 31 December			As at 30 June			2017		
	2015	Effect on	2016	Effect on	2017	Effect on	2017	Effect on	
	Net assets in	profit before	Net assets in	profit before	Net assets in	profit before	Net assets in	profit before	
	foreign	tax and	foreign	tax and	foreign	tax and	foreign	tax and	
	currency	retained	currency	retained	currency	retained	currency	retained	
	HK\$'000	profits	HK\$'000	profits	HK\$'000	profits	HK\$'000	profits	
		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
	Appreciation/		Appreciation/		Appreciation/		Appreciation/		
	(depreciation)		(depreciation)		(depreciation)		(depreciation)		
	in foreign		in foreign		in foreign		in foreign		
	currency		currency		currency		currency		
	%		%		%		%		
Chinese Yuan (CNY)	995	50	369	18	475	5	24		
	(5)	(50)	(5)	(18)	(5)	(5)	(24)		
British Pounds (GBP)	580	29	5	—	6	5	—		
	(5)	(29)	(5)	—	(5)	(5)	—		
Japanese Yen (JPY)	304	15	299	14	312	5	16		
	(5)	(15)	(5)	(14)	(5)	(5)	(16)		
Eurodollar (EUR)	37	2	—	—	717	5	36		
	(5)	(2)	(5)	—	(5)	(5)	(36)		

The sensitivity analysis assumes that the change in foreign exchange rate had been applied to re-measure those net assets which expose the Group to foreign currency risk at the reporting date. The analysis is performed on the same basis for the Relevant Periods.

**(e) Equity price risk**

The Group is exposed to equity price changes arising from its investments in equity securities (see Note 19).

The Group's equity investments are listed on the Stock Exchange of Hong Kong.

*Sensitivity analysis*

If the prices of the respective equity instruments had been 5% higher/lower, the profit for the years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 would increase/decrease by HK\$10,000, HK\$6,000 and HK\$2,000 respectively as a result of the changes in fair value of financial assets at fair value through profit or loss.

## (f) Fair value measurement

*Financial instruments measured at fair value**Fair value hierarchy*

HKFRS 13, *Fair value measurement* categorises fair value measurements into a three-level hierarchy. The level into which fair value is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair values measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair values measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

At 31 December 2015 and 2016, and 30 June 2017, the only financial instruments of the Group carried at fair value were listed equity securities of HK\$191,000, HK\$122,000 and HK\$48,000 respectively listed on the Stock Exchange of Hong Kong (see Note 19). These instruments are measured at fair value on a recurring basis and their fair value measurements fall into Level 1 of the fair value hierarchy described above.

During the years ended 31 December 2015 and 2016, and the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

**26 OPERATING LEASES COMMITMENTS**

The total future minimum lease payments under non-cancellable operating lease are payables as follows:

	As at 31 December		As at 30 June
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Within 1 year	1,477	2,259	2,259
After 1 year but within 5 years	—	3,866	2,736
	<u>1,477</u>	<u>6,125</u>	<u>4,995</u>

**27 MATERIAL RELATED PARTY TRANSACTIONS**

- (a) In addition to the transactions and balances disclosed in note 6, 7, 17 and 18 in these Historical Financial Information, the Group entered into the following material related party transactions:

Name of related party	Transactions	Year ended 31 December		Six months ended 30 June	
		2015	2016	2016	2017
		HK\$'000	HK\$'000	(unaudited) HK\$'000	HK\$'000
Ding Yimin, shareholder of the Group	Consultancy fee	<u>360</u>	<u>360</u>	<u>180</u>	<u>180</u>

- (b) Directors are the only key management personnel of the Group. Directors' remuneration is set out in Note 6 of the Financial Information.

**28 SEGMENT REPORTING**

The Group has only one reportable segment, which is the provision of brokerage services for futures and options traded on the exchange in Hong Kong, the United States, Japan, Singapore and the United Kingdom. Therefore no additional reportable segment and geographical information have been presented.

**29 FINANCIAL INFORMATION OF THE COMPANY**

The Company was incorporated in the Cayman Islands on 13 July 2016. The issued share capital as at the date of incorporation was HK\$380 which was issued and fully paid. The Company has not carried on any business since its date of incorporation.

**30 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE**

The HKICPA has issued a number of amendments and new standards which are not yet effective for the six months ended 30 June 2017 and which have not been adopted in Historical Financial Information.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 2, <i>Classification and measurement of share-based payment transactions</i>	1 January 2018
Amendments to HKFRS 4, <i>Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts</i>	1 January 2018
HKFRS 9, <i>Financial instruments</i>	1 January 2018
Amendments to HKFRS 10 and HKAS 28 (2011), <i>Sale or contribution of assets between an investor and its associate or joint venture</i>	To be determined
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
Amendments to HKFRS 15, <i>Clarifications to HKFRS 15 revenue from contracts with customers</i>	1 January 2018
HKFRS 16, <i>Leases</i>	1 January 2019
Amendments to HKFRS 1 included in annual improvements to HKFRSs 2014–2016 cycle, <i>First-time adoption of Hong Kong Financial Reporting Standards</i>	1 January 2018
Amendments to HKAS 28 included in annual improvements to HKFRSs 2014–2016 cycle, <i>Investments in associates and joint ventures</i>	1 January 2018
Amendments to HKAS 40, <i>Transfers of investment property</i>	1 January 2018
HK(IFRIC)-Int 22, <i>Foreign currency transactions and advance consideration</i>	1 January 2018
HK(IFRIC)-Int 23, <i>Uncertainty over income tax treatments</i>	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether the Group should adopt any of these new requirements before their effective dates and which transitional approach to take, where there are alternative approaches allowed under the new standards.

Further information about those amendments/new standards which are not effective that are relevant to the Group is as follows:

#### **HKFRS 9 *Financial instruments***

HKFRS 9 replaces the existing guidance in HKAS 39 *Financial instruments: Recognition and measurement*. HKFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on the recognition and derecognition of financial instruments from HKAS 39.

Based on the assessment so far, the Group considers that the initial application of HKFRS 9 will not have a significant impact on the Group's results of operations and financial position.

#### **HKFRS 15 *Revenue from contracts with customers***

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including HKAS 18 *Revenue*, HKAS 11 *Construction contracts* and HK(IFRIC) 13 *Customer Loyalty Programs*. It also includes guidance on when to capitalize costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

Based on the assessment so far, the Group considers that the initial application of HKFRS 15 will not have a significant impact on the Group's results of operations and financial position.

#### **HKFRS 16 *Leases***

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognize and measure a lease liability at the present value of the minimum future lease payments and will recognize a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognize interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognizing rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognized on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of a lease for a property which is currently classified as an operating lease. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 26, at 30 June 2017 the Group's future minimum lease payments under non-cancellable operating leases amount to HK\$4,995,000 for a property under an operating lease, over half of which is payable between 1 and 5 years after the reporting date. This amount may therefore need to be recognized as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

The Group expects there will be a significant impact to the financial position and performance of the Group as explained above when HKFRS 16 becomes effective on 1 January 2019.



**C SUBSEQUENT EVENTS****Group reorganisation**

The Group reorganisation, as more fully explained in the section headed “History, Reorganisation and corporate structure” in the prospectus dated 29 December 2017, was completed on 12 October 2017. The Company became the holding company of the companies now comprising the Group on 12 October 2017.

**D SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 30 June 2017.

<b>APPENDIX II</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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*The information set forth in this Appendix does not form part of the Accountants' Report from KPMG, Certified Public Accountants, Hong Kong, the Reporting Accountants of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.*

*The unaudited pro forma financial information should be read in conjunction with the section headed "Financial information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.*

#### **A. UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS**

The following statement of our unaudited pro forma adjusted combined net tangible assets has been prepared in accordance with the Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Rules"), and is set out below to illustrate the effect of the proposed offering of the ordinary shares of the Company (the "Share Offer") on the combined net tangible assets as at 30 June 2017 as if the Share Offer had taken place on 30 June 2017.

The unaudited pro forma statement of adjusted combined net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had Share Offer been completed as at 30 June 2017 or at any future date.

	<b>Combined net tangible assets attributable to the equity shareholders of the Company as at 30 June 2017</b>	<b>Estimated net proceeds from the Share Offer</b>	<b>Unaudited pro forma adjusted combined net tangible assets attributable to the equity shareholders of the Company</b>	<b>Unaudited pro forma adjusted combined net tangible assets per share</b>
	<i>HK\$'000<sup>(1)</sup></i>	<i>HK\$'000<sup>(2)</sup></i>	<i>HK\$'000<sup>(3)</sup></i>	<i>HK\$<sup>(3)</sup></i>
Based on an offer price of HK\$0.375 per share	12,730	57,239	69,969	0.087
Based on an offer price of HK\$0.425 per share	12,730	66,889	79,619	0.100

*Notes:*

- (1) The combined net tangible assets attributable to the equity shareholders of the Company as at 30 June 2017 is compiled based on the Historical Financial Information included in the Accountants' Report set out in Appendix I to this prospectus, which is based on the combined net assets attributable to the equity shareholders of the Company as at 30 June 2017 of HK\$13,210,000 after deducting intangible assets of HK\$480,000.
- (2) The estimated net proceeds from Share Offer for the purpose of unaudited pro forma adjusted combined net tangible assets are based on the indicative offer price of HK\$0.375 per share (being the minimum offer price) and HK\$0.425 per share (being the maximum offer price) and the assumption that there are 200 million newly issued shares in Share Offer, after deduction of the underwriting fees and other listing expenses payable by the Company as at 30 June 2017 (excluding listing expenses of approximately HK\$12,903,000 which have been accounted for prior to 30 June 2017), and without taking into account the exercise of the Offer Size Adjustment Option.

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- (3) The unaudited pro forma adjusted combined net tangible assets per share is arrived at by dividing the unaudited pro forma adjusted combined net tangible assets by 800 million shares, being the number of shares in issuing assuming that the Share Offer has been completed on 30 June 2017 but takes no account of the exercise of the Offer Size Adjustment Option.
  
- (4) The unaudited pro forma adjusted combined net tangible assets do not take into account the financial results or other transactions of the Company subsequent to 30 June 2017.

**B.    REPORT FROM THE REPORTING ACCOUNTANTS ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group’s unaudited pro forma financial information for the purpose of incorporation in this prospectus.*



**INDEPENDENT REPORTING ACCOUNTANTS’ ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

**TO THE DIRECTORS OF EXCALIBUR GLOBAL FINANCIAL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Excalibur Global Financial Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 30 June 2017 and related notes as set out in Part A of Appendix II to the prospectus dated 29 December 2017 (the “Prospectus”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the “Share Offer”) on the Group’s financial position as at 30 June 2017 as if the Share Offer had taken place at 30 June 2017. As part of this process, information about the Group’s financial position as at 30 June 2017 has been extracted by the Directors from the Group’s historical financial information included in the Accountants’ Report as set out in Appendix I to the Prospectus.

*Directors’ Responsibilities for the Pro Forma Financial Information*

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

*Our Independence and Quality Control*

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### *Reporting Accountants’ Responsibilities*

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (“HKSAE”) 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 7.31 of the GEM Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 30 June 2017 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

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The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the Share Offer, the application of those net proceeds, or whether such use will actually take place as described in the section headed “Future plans and use of proceeds” in the Prospectus.

*Opinion*

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Rules.

**KPMG**

*Certified Public Accountants*

Hong Kong

29 December 2017

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 July 2016 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

## 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

## 2. ARTICLES OF ASSOCIATION

The Articles were adopted on 19 December 2017 and will become effective on the Listing Date. A summary of certain provisions of the Articles is set out below.

### (a) Shares

#### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

#### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(iii) Alteration of capital*

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

*(iv) Transfer of shares*

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any Share Option Scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.



The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the GEM Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

*(v) Power of the Company to purchase its own shares*

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any

part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(b) Directors**

*(i) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their

last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after dispatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a Director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

*(iv) Borrowing powers*

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any

Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vi) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

*(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and



- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

*(ix) Proceedings of the Board*

The Board may meet anywhere in the world for the dispatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents and the Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

**(d) Meetings of member**

*(i) Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited



as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the GEM Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings*

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the GEM Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

*(v) Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

*(vi) Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(e) Accounts and audit**

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(f) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions.

**(g) Inspection of corporate records**

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

**(h) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(i) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

**(j) Subscription right reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 13 July 2016 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.



Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of



association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

**(h) Accounting and auditing requirements**

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange Control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 9 August 2016.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to Directors**

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Register of Directors and officers**

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

**(p) Winding up**

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily

because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

**(q) Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

**(r) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(s) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES****1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 July 2016. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 31 August 2016 and its principal place of business in Hong Kong is at Room 2512, Cosco Tower, 183 Queen's Road Central, Hong Kong. Mr. Poon has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the relevant laws and regulations of the Cayman Islands and to its constitution, which comprises its Memorandum and Articles of Association. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

**2. Changes in authorised and issued share capital of our Company**

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each. On the same date, (i) one subscriber Share, credited as fully paid, was transferred to Mr. Poon from Reid Services Limited at a nominal consideration of HK\$0.01; (ii) 18,999 Shares, credited as fully paid, were issued and allotted to Mr. Poon; and (iii) 19,000 Shares, credited as fully paid, were issued and allotted to Mr. Chan.
- (b) On 12 October 2017, pursuant to the reorganisation agreement dated 12 October 2017, our Company acquired the entire issued share capital of Excalibur Global BVI from Mr. Poon and Mr. Chan, and in consideration thereof, our Company (i) issued and allotted 4,780,999 Shares, credited as fully paid, to Mr. Poon; and (ii) issued and allotted 4,780,999 Shares, credited as fully paid, to Mr. Chan.
- (c) On 12 October 2017, pursuant to the reorganisation agreement dated 12 October 2017, Excalibur Global BVI acquired one share and 200,000 shares of New Century from Mr. Poon and Mr. Ding respectively, and in consideration thereof, our Company, (i) issued and allotted two Shares, credited as fully paid, to Mr. Poon; and (ii) issued and allotted 400,000 Shares, credited as fully paid, to Fortune Millennium at the direction by Mr. Ding.
- (d) Pursuant to the written resolutions of all Shareholders passed on 19 December 2017, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value HK\$0.01 by the creation of a further 9,962,000,000 Shares.

- (e) Immediately following the completion of the Capitalisation Issue and the Share Offer, without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, 800,000,000 Shares will be allotted and issued fully paid or credited as fully paid, and 9,200,000,000 Shares will remain unissued.
- (f) Other than the Shares issuable pursuant to the exercise of the Offer Size Adjustment Option or any options which may fall to be granted under the Share Option Scheme, or the exercise of the general mandate referred to in “A. Further information about our Company and our subsidiaries — 3. Written resolutions of all Shareholders passed on 19 December 2017” in this Appendix, our Company does not have any present intention to issue any part of the authorised but unissued capital of our Company and, without the prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (g) Save as disclosed above, there has been no alteration in the share capital of our Company since its incorporation.

### **3. Written resolutions of all Shareholders passed on 19 December 2017**

On 19 December 2017, resolutions in writing were passed by all Shareholders pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum and Articles of Association, the terms of which are summarised in Appendix III to this prospectus, with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of par value HK\$0.01 each by the creation of an additional 9,962,000,000 Shares each ranking *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions;
- (c) conditional on (1) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares to be issued upon exercise of the Offer Size Adjustment Option or the exercise of any options which may be granted under the Share Option Scheme) on GEM; (2) the entering of the Price Determination Agreement between the Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date; (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional; and (4) the Underwriting Agreements not being terminated in accordance with its terms or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
  - (i) the Share Offer and the Offer Size Adjustment Option were approved and our Directors or any committee of our Board were authorised to (aa) allot and issue the Offer Shares and Shares which may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option pursuant to the Share Offer to

rank *pari passu* with the then existing Shares in all respects; (bb) implement the Share Offer and the Listing of Shares on GEM; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors or any committee of our Board may consider necessary or appropriate;

- (ii) conditional further on the share premium account of our Company being credited as a result of the Share Offer, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of HK\$5,900,000 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par of a total 590,000,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 19 December 2017 in proportion (as nearly as possible, without involving fractions) to the then existing shareholding in our Company, each carrying the same rights in all respects with the then Shares in issue, and the Directors were authorised to give effect to such capitalisation and distributions;
  - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors were authorised, at their absolute discretion but subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Share Option Scheme;
- (d) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with the number of Shares not exceeding the aggregate of (i) 20% of the number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or the exercise of any options which may be granted under the Share Option Scheme); and (ii) the number of Shares repurchased under the general unconditional mandate as mentioned in paragraph (e) below and such mandate shall remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
  - (iii) the time when such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting;



- (e) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on GEM (or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose), such number of Shares as will represent up to 10% of number of issued Shares immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares falling to be issued pursuant to the exercise of the Offer Size Adjustment Option or the exercise of any options which may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:
  - (i) the conclusion of the next annual general meeting of our Company;
  - (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or any other applicable laws of the Cayman Islands; or
  - (iii) the time when such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in paragraph (d) above was extended by the addition to the number of the share of our Company which may be allotted or agreed to be allotted, issued or dealt with by our Directors pursuant to such general mandate of an amount representing the aggregate number of the Shares of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above provided that such extended amount shall not exceed 10% of the number of issued Shares immediately following the completion of the Share Offer and the Capitalisation Issue excluding any Shares which may be issued upon exercise of the Offer Size Adjustment Option or the exercise of any options that may be granted under the Share Option Scheme.

#### **4. Corporate reorganisation**

In preparation for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. Details of the Reorganisation are set out in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus.

Diagrams showing our Group structure before the Reorganisation and immediately upon completion of the Capitalisation Issue and the Share Offer (assuming that no Share has been allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or the exercise of any option which may be granted under the Share Option Scheme) are set out in the section headed “History, Reorganisation and corporate structure — Corporate and shareholding structure of our Group” in this prospectus.

## 5. Changes in share capital of subsidiaries

Our Company’s subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the section headed “History, Reorganisation and corporate structure — Our corporate history and development” in this prospectus, there was no change in the Share capital of the major subsidiaries of our Company during the two years preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix I to this prospectus, our Company does not have any other subsidiary.

## 6. Repurchase by our Company of its own securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its shares or own securities.

### (a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies with a primary listing on GEM to repurchase their securities on GEM subject to certain restrictions, the most important of which are summarised below:

#### (i) Shareholders’ approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on GEM must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolutions passed by our then Shareholders on 19 December 2017, a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on GEM or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the number of issued Shares immediately following completion of the Capitalisation Issue and the Share Offer but excluding any Shares to be issued upon the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme. The Repurchase Mandate shall remain in effect until whichever is the earliest of: (i) the conclusion of the next annual general meeting of our Company; (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles of Association or the Companies Law or any other applicable laws of the Cayman Islands; or (iii) the time when the Repurchase Mandate is revoked or varied by an ordinary resolution by the Shareholders in general meeting.

*(ii) Source of funds*

Any repurchases of securities by our Company must be financed out of funds legally available for such purpose in accordance with the Articles of Association, the applicable laws of the Cayman Islands and the GEM Listing Rules.

Our Company may not repurchase its own securities on the GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under Cayman Islands law, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of share made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Companies Law, out of capital and, in case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium accounts of our Company, or if authorised by the Articles of Association and subject to the Companies Law, out of capital.

*(iii) Trading restrictions*

A company is authorised to repurchase on the GEM or on any other stock exchange recognised by the SFC in Hong Kong and the Stock Exchange the total number of shares which represent up to a maximum of 10% of the number of shares of that company or warrants to subscribe for shares in that company representing up to 10% of the amount of warrants then outstanding at the date of the passing of the relevant resolution granting the repurchase mandate. A company may not issue or announce an issue of new securities of the type that have been repurchased for a period of 30 days immediately following a repurchase of securities whether on the GEM or otherwise (except pursuant to the exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. A company is also prohibited from making securities repurchase on the GEM if the result of the repurchases would be that the number of the listed securities in hands of the public would be below the relevant prescribed minimum percentage for that company as required and determined by the Stock Exchange. A company shall not purchase its shares on the GEM if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the GEM.

*(iv) Status of repurchased securities*

The listing of all repurchased securities (whether on the GEM or otherwise) is automatically cancelled and the relevant certificates must be cancelled and destroyed. Under Cayman Islands law, a company's repurchased shares may be treated as cancelled and, if so cancelled, the amount of that company's issued share capital shall be reduced by the aggregate number of the repurchased shares accordingly although the authorised share capital of the company will not be reduced.

(v) *Suspension of repurchase*

Any securities repurchase programme is required to be suspended after inside information comes to our Company's knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half year, quarter-year period or any other interim period (whether or not required by the GEM Listing Rules); and (2) the deadline for our Company to publish an announcement of its results for any year, half-year or quarter-year period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules), and in each case ending on the date of the results announcement, our Company may not purchase its securities on GEM unless the circumstances are exceptional. In addition, the Stock Exchange may prohibit repurchases of securities on the GEM if a company has breached the GEM Listing Rules.

(vi) *Reporting requirements*

Repurchases of securities on GEM or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares, reporting total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the GEM or otherwise), the purchase price per share or the highest and lowest prices paid for all such repurchases and the total prices paid. The Directors' report is also required to contain reference to the purchases made during the year and the Directors' reasons for making such purchases. The company shall make arrangements with its broker who effects the purchase to provide the company in a timely fashion the necessary information in relation to the purchase made on behalf of the company to enable the company to report to the Stock Exchange.

(vii) *Connected parties*

Our Company is prohibited from knowingly repurchase Shares on GEM from a "core connected person" (as defined in the GEM Listing Rules), which by definition includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them, and a core connected person shall not knowingly sell his Shares to our Company on GEM.

***(b) Exercise of the Repurchase Mandate***

On the basis of 800,000,000 Shares in issue immediately after completion of the Capitalisation Issue and Share Offer (taking no account of any Shares to be issued upon the exercise of the Offer Size Adjustment Option), our Directors would be authorised under the Repurchase Mandate to repurchase up to 80,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

***(c) Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share or both and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

***(d) Funding of repurchases***

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles of Association, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

***(e) General***

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable laws and regulations from time to time in force in the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of our Company

and become(s) obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

## **B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**

### **1. Summary of material contracts**

The following contracts (not being contracts entered into the ordinary course of business of our Group) had been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) a reorganisation agreement dated 12 October 2017 made between our Company, as purchaser, and Mr. Poon and Mr. Chan, as vendors, in relation to our Company's acquisition of the entire issued share capital of Excalibur Global BVI from Mr. Poon and Mr. Chan, and in consideration of which our Company (i) issued and allotted 4,780,999 Shares, credited as fully paid, to Mr. Poon; and (ii) issued and allotted 4,780,999 Shares, credited as fully paid, to Mr. Chan;
- (b) a reorganisation agreement dated 12 October 2017 made between Excalibur Global BVI, as purchaser, Mr. Poon and Mr. Ding, as vendors, and our Company, in relation to Excalibur Global BVI's acquisition of one share and 200,000 shares of New Century from Mr. Poon and Mr. Ding respectively, and in consideration of which our Company (i) issued and allotted two Shares, credited as fully paid, to Mr. Poon; and (ii) issued and allotted 400,000 Shares, credited as fully paid, to Fortune Millennium at the direction by Mr. Ding;
- (c) the Deed of Indemnity;
- (d) the Deed of Non-competition; and
- (e) the Public Offer Underwriting Agreement.

## 2. Intellectual property rights of our Group


### (a) Registered trademarks owned by our Group

As at the Latest Practicable Date, our Group had registered the following trademarks which are considered by our Directors to be material to our Group's business:

Trademark	Place of registration	Registration number(s)	Registrant	Class (Note)	Expiry Date
A 	Hong Kong	303796156	Excalibur Global HK	36	2 June 2026
B 					

Note: Class 36: Insurance; financial affairs; monetary affairs; real estate affairs

As at the Latest Practicable Date, our Group had registered the following trademark in the PRC:

Trademark	Place of registration	Registration number(s)	Registrant	Class (Note)	Expiry Date
 骏溢集团	PRC	21441887	Excalibur Global HK	36	20 November 2027

Note: Class 36: Capital investment; financial services; provisions of financial information through internet; insurance agency; agency; guarantee; trust management; pledge

### (b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name which is material to our Group's business:

Domain name	Registrant	Date of registration	Expiry date
www.excalibur.com.hk	Excalibur Global HK	25 October 2000	1 September 2018

Information contained in the above website does not form part of this prospectus.

Save as disclosed above, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are material to the business of our Group.

## C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

## 1. Directors

*(a) Disclosure of interests of Directors*

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be issued upon exercise of the Offer Size Adjustment Option or the exercise of any option which may be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executive of our Company in the Shares, underlying shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which, once the Shares are listed on GEM, would have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 and 5.67 of the GEM Listing Rules, will be as follows:

Name of Directors	Capacity/nature of interest	Number of Shares held/interested immediately following completion of the Capitalisation Issue and Share Offer	Percentage of Shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Mr. Poon ( <i>Note 2, 3</i> )	Beneficial owner; interest held jointly with another person	576,000,000 Shares (L)	72%
Mr. Chan ( <i>Note 2, 4</i> )	Beneficial owner; interest held jointly with another person	576,000,000 Shares (L)	72%

*Notes:*

- (1) The letter “L” denotes long position of the Shares.
- (2) On 27 October 2017, our Controlling Shareholders, namely Mr. Poon and Mr. Chan, entered into the Concert Parties Confirmatory Deed to acknowledge and confirm, amongst other things, that they are parties acting in concert in respect of each of the members of our Company during the Track Record Period and will continue to do so as at and after the date of the Concert Parties Confirmatory Deed, details of which are set out in the paragraph headed “History, Reorganisation and corporate structure — Parties acting in concert” of this prospectus. As such, pursuant to the parties acting in concert arrangement, each of our Controlling Shareholders, i.e. Mr. Poon and Mr. Chan, is deemed to be interested in 72% of the issued share capital of our Company.



- (3) 576,000,000 Shares in which Mr. Poon is interested consist of (i) 288,000,060 Shares held by him; and (ii) 287,999,940 Shares in which Mr. Chan is deemed to be interested as a result of being a party acting-in-concert with Mr. Poon.
- (4) 576,000,000 Shares in which Mr. Chan is interested consist of (i) 287,999,940 Shares held by him; and (ii) 288,000,060 Shares in which Mr. Poon is deemed to be interested as a result of being a party acting-in-concert with Mr. Chan.

**(b) *Particulars of service contracts***

*Executive Directors*

Each of our executive Directors has entered into a service contract with our Company on 19 December 2017. The principal particulars of these service contracts are:

- (i) the service contract shall become effective from the Listing Date and shall have an initial fixed term of three years. The service contract shall continue unless and until terminated by not less than three months' notice in writing served by either party on the other;
- (ii) the term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles;
- (iii) commencing from the Listing Date, each of our executive Directors is entitled to an annual salary set out in sub-paragraph (c) below, such salary to be reviewed annually by our Board and the Remuneration Committee; and
- (iv) each of our executive Directors is entitled to such discretionary bonus as our Board and the Remuneration Committee may approve, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of our Board approving the amount of annual salary, discretionary bonus and other benefits payable to him/her.

*Independent non-executive Directors*

Each of the independent non-executive Directors has signed a letter of appointment with our Company on 19 December 2017. The principal particulars of these appointments are:

- (i) the appointments shall be for a term of three years commencing from the Listing Date and may be terminated by not less than one month's notice in writing served by either party on the other;
- (ii) the term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles; and
- (iii) commencing from the Listing Date, each of the independent non-executive Directors is entitled to a director's fee set out in sub-paragraph (c) below, such fee to be reviewed annually by our Board and the Remuneration Committee.

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract or letter of appointment with our Company or any of our subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

(c) *Directors' remuneration*

Our Company's policies concerning remuneration of executive Directors are:

- (i) the amount of remuneration payable to our executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;
- (ii) non-cash benefits may be provided to our Directors under their remuneration package; and
- (iii) our executive Directors may be granted, at the discretion of our Board, share options of our Company, as part of the remuneration package.

The aggregate amount of emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) paid by our Group to our Directors in respect of FY2015, FY2016 and 1H2017 were approximately HK\$1.25 million, HK\$1.43 million and HK\$0.73 million, respectively. Further information in respect of our Directors' remuneration is set out in note 6 to the accountants' report in Appendix I to this prospectus.

Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2017 will be approximately HK\$0.84 million.

Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>HK\$</i>
<b>Executive Directors</b>	
Mr. Poon Kwok Wah, Allan	240,000
Mr. Chan Ying Leung	120,000
Ms. Lee Mei Chun	120,000
<b>Independent non-executive Directors</b>	
Mr. Chin Kam Cheung	120,000
Mr. Ang Wayne Wu-yee	120,000
Mr. Siu Miu Man	120,000

None of the Directors or any past directors of any member of the Group has been paid any sum of money during the Track Record Period (i) as an inducement to join or upon joining the Company; or (ii) for loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group.

Save as disclosed above, no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

## **2. Substantial shareholders**

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option or the exercise of any option which may be granted under the Share Option Scheme, no persons/entities (not being the Directors or chief executive of our Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of our Company or any other members of our Group.

## **3. Agency fees or commissions received**

Save as disclosed in the section headed “Underwriting — Commission and expenses” in this prospectus, and in the paragraph headed “E. Other information — 3. Sponsor” in this Appendix, none of our Directors or the experts named in the paragraph headed “E. Other information — 8. Consents of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

## **4. Related party transactions**

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 27 of the accountants’ report set out in Appendix I to this prospectus.

## 5. Disclaimers

Save as disclosed in this Appendix and the section headed “Substantial Shareholders” of this prospectus:

- (a) taking no account of any Shares that may be allotted and issued upon exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Share Offer will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at the general meetings of our Company or any other members of our Group;
- (b) none of our Directors and chief executive of our Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the GEM Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of our Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by our Company pursuant to section 352 of the SFO or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules once the Shares are listed on the Stock Exchange;
- (c) none of our Directors nor the experts named in “E. Other information — 7. Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors or the experts named in “E. Other information — 7. Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group; and
- (e) none of the experts named in “E. Other information — 7. Qualifications of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

**D. SHARE OPTION SCHEME****1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Board and all Shareholders on 19 December 2017.

For the purpose of this section, unless the context otherwise requires, the following expressions have the meanings set out below:

“Board”	means our board of Directors from time to time or a duly authorised committee thereof;
“Commencement Date”	means, in respect of any particular option, the Business Day (within the meaning of the GEM Listing Rules) on which that Option is deemed to have been granted;
“Eligible Person”	means any full-time or part-time employee of our Company or any member of our Group, including any executive, non-executive Directors and independent non-executive Directors, advisers, consultants of our Company or any of our subsidiaries;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
“Option Period”	means in respect of any particular Option, the period to be determined and notified by our Board to each Participant which the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the Commencement Date;
“Other Schemes”	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
“Participant”	means any Eligible Person who accepts or is deemed to have accepted the offer of any Option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Participant;
“Shareholders”	means shareholders of our Company from time to time;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the GEM Listing Rules) of our Company, whether incorporated in Hong Kong or elsewhere; and
“Trading Day”	means a day on which trading of Shares take place on the Stock Exchange.

(a) *Purpose of the Share Option Scheme*

The Share Option Scheme enables our Company to grant Options to Eligible Persons as incentives or rewards for their contributions to our Group.

(b) *Who may join*

Our Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to our Company by way of consideration for the grant. The Option will be offered for acceptance for a period of 28 days from the date on which the Option is granted.

(c) *Grant of Option*

Any grant of Options must not be made after an inside information has come to the Company's knowledge until it has announced the information in accordance with the requirements of the GEM Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the GEM Listing Rules), and (b) the deadline for our Company to publish an announcement of our results for any year, half-year, quarter-year period or any interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, no Option shall be granted. The period during which no Option may be granted will cover any period of delay in the publication of a results announcement. Our Directors may not grant any Option to an Eligible Person during the periods or times in which directors of the listed issuer are prohibited from dealing in shares pursuant to Rules 5.48 to 5.67 prescribed by the GEM Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, our Company may make a further grant of Options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, our Company must send a circular to our Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the GEM Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the

Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of our Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

*(d) Price of Shares*

The subscription price for the Shares subject to Options will be a price determined by our Board and notified to each Participant and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

For the purpose of calculating the subscription price, in the event that on the date of grant, our Company has been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

*(e) Maximum number of Shares*

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 800,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 80,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) Subject to the approval of Shareholders in general meeting, our Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), our Company shall send a circular to our Shareholders containing the information required by the GEM Listing Rules.
- (iii) Subject to the approval of Shareholders in general meeting, our Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by our Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), our Company shall send a circular to our Shareholders containing a generic

description of the identified Eligible Persons, the number and terms of the Options to be granted, the purpose of granting Options to the identified Eligible Persons, an explanation as to how the terms of such Options serve the intended purpose and such other information required by the GEM Listing Rules.

- (iv) Notwithstanding the foregoing, our Company may not grant any Options if the number of Shares which may be issued upon exercise of all outstanding Options granted and yet to be exercised under the Share Option Scheme and Other Schemes exceeds 30% of the Shares in issue from time to time.

*(f) Time of exercise of Option*

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option. The exercise of an Option may be subject to the achievement of performance target and/or any other conditions to be notified by our Board to each Participant, which our Board may in its absolute discretion determine.

*(g) Rights are personal to grantee*

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option. Any breach of the foregoing by the Participant shall entitle our Company to cancel any Option or any part thereof granted to such Participant (to the extent not already exercised) without incurring any liability on our Company.

*(h) Rights on death*

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options in full (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death, failing which such Options will lapse.

*(i) Changes in capital structure*

In the event of any alteration in the capital structure of our Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of our Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the Options so far as unexercised, and/or the exercise price, and/or the method of the Options, and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must give a Participant the same proportion of the equity capital as that to which that Participant was previously entitled and shall be made on the basis that the aggregate exercise price payable by a Participant on the



full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value and, unless with the prior approval of the Shareholders in general meeting, no such adjustments may be made to the advantage of the Participant. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser of our Company or the auditors of our Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the GEM Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

*(j) Rights on take-over*

If a general offer has been made to all our Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this subparagraph, “acting in concert” shall have the meaning ascribed to it under the Takeovers Code as amended from time to time.

*(k) Rights on a compromise or arrangement*

- (i) In the event of a notice is given by our Company to our Shareholders to convene a Shareholders’ meeting for the purpose of considering and approving a resolution to voluntarily wind up our Company, our Company shall forthwith give notice thereof to the Participants and the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our Company not later than two Business Days prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the Business Day immediately prior to the date of the proposed Shareholders’ meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise.
- (ii) In the event of a compromise or arrangement between our Company and our members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of our Company (other than any relocation schemes as contemplated in Rule 10.18(3) of the GEM Listing Rules), our Company shall give notice thereof to all Participants on the same date as we give notice of the meeting to our members or creditors to consider such a scheme of arrangement, and thereupon the Participants may, by notice in writing to our Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by our

Company not later than two Business Days prior to the proposed meeting) exercise the outstanding Option either in full or in part and our Company shall, as soon as possible and in any event no later than the Business Day (excluding any period(s) of closure of our Company's share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise credited as fully paid and registered the Participants as holders thereof.

*(l) Lapse of Option*

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board and under the Share Option Scheme;
- (ii) subject to paragraphs (f) and (p), the expiry of the Option Period of the Option;
- (iii) subject to paragraph (k)(i), the date of commencement of the winding-up of our Company;
- (iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (k)(ii);
- (v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of our Board or the board of directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;
- (vi) the happening of any of the following events, unless otherwise waived by our Board:
  - (1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Participant (being a corporation); or
  - (2) the Participant (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts or otherwise become insolvent; or

- (3) there is unsatisfied judgment, order or award outstanding against the Participant or our Company has reason to believe that the Participant is unable to pay or has no reasonable prospect of being able to pay his/her/its debts; or
- (4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraphs (1), (2) and (3) above; or
- (5) a bankruptcy order has been made against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
- (6) a petition for bankruptcy has been presented against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
- (vii) the date the Participant commits any breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by our Board; or
- (viii) the date on which our Board resolves that the Participant has failed or otherwise is or has been unable to meet the continuing eligibility criteria.

*(m) Ranking of Shares*

Shares allotted and issued upon the exercise of an Option will be subject to our Articles of Association as amended from time to time and will rank *pari passu* in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the date of allotment or issue.

*(n) Cancellation of Options granted*

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing.

In the event that our Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

*(o) Period of Share Option Scheme*

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

*(p) Alteration to and termination of Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of our Board, except that the provisions of the Share Option Scheme relating to matters contained in Chapter 23 of the GEM Listing Rules shall not be altered to the advantage of the Participant or the prospective Participants without the prior approval of our Shareholders in general meeting (with the Eligible Persons, the Participants and their respective close associates abstaining from voting). No such alteration shall operate to affect the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Participants as would be required by our Shareholders under our Articles of Association (as amended from time to time) for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature shall first be approved by the Stock Exchange, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

Our Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to our Shareholders seeking approval for the first new scheme to be established after such termination.

*(q) Granting of Options to a director, chief executive or substantial shareholder of our Company or any of their respective associates*

Where Options are proposed to be granted to our Director, chief executive or substantial Shareholder or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to our substantial Shareholder or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by our Shareholders. The grantee, his associates and all core connected persons of our Company

must abstain from voting at such general meeting, except that any connected person may vote against the resolution provided that his or her intention to do so has been stated in the circular. The circular must contain the information required under the GEM Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is our substantial Shareholder, an independent non-executive Director or their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from our independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders, as to voting; and
- (iii) all other information as required by the GEM Listing Rules.

For the avoidance of doubt, the requirements for the granting of Options to our Director or chief executive (as defined in the GEM Listing Rules) of our Company set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive of our Company.

*(r) Conditions of Share Option Scheme*

The Share Option Scheme is conditional on (i) the passing of a resolution to adopt the Share Option Scheme by our Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of Options.

Application has been made to the Listing Division for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options that may be granted under Share Option Scheme.

*(s) Present status of the Share Option Scheme*

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 23 of the GEM Listing Rules.

**E. OTHER INFORMATION****1. Tax and other indemnities**

Each of our Controlling Shareholders (collectively, the “**Indemnifiers**”) has entered into the Deed of Indemnity (being the material contract referred to in “B. Further information about the business of our Group — 1. Summary of material contracts — (c) the Deed of Indemnity” in this Appendix) with and in favour of our Company (for ourselves and as trustee for each of our present subsidiaries) to provide indemnities on a joint and several basis in respect of, among other matters:

- (a) any tax liabilities which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received, or of any transactions entered into, or the occurrence of any matters or things on or up to the date on which the Share Offer becomes unconditional (the “**Effective Date**”), save to the extent that:
  - (i) full provision has been made for such taxation in the audited accounts of any members of the Group for the two years ended 31 December 2016 and the six months ended 30 June 2017;
  - (ii) such taxation or taxation claim falls on any member of our Group on or after 1 July 2017, unless such taxation or liability would not have arisen but for some act or omission of, or delay by, or transactions voluntarily effected by, the Indemnifiers, the member of our Group or any of them (whether alone or in conjunction with some other act, omission, delay or transaction, whenever occurring) without the prior written consent or agreement of any of the Indemnifiers, otherwise than in the ordinary course of its business or in the ordinary course of acquiring and disposing of capital assets, before the Effective Date;
  - (iii) such taxation claim or liability for such taxation arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations, or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong or the Cayman Islands, or any other part of the world) coming into force after the Effective Date or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; and
  - (iv) any provisions or reserve made for taxation in the audited accounts of any members of the Group up to 30 June 2017 and which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers liability (if any) in respect of such taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers’ liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and

- (b) any damages, losses, liabilities, claims, fines, penalties, orders, expenses and costs, or loss of profits, benefits which are or become payable or suffered by any member of our Group directly or indirectly as a result of and in connection with (a) any possible or alleged violation or non-compliance with the applicable laws, rules or rules or regulations of Hong Kong on all matters, including but not limited to the Companies Ordinance and any non-compliance disclosed in the Prospectus by any member of our Group before the Listing Date; (b) the incidents referred to in the paragraph headed “Regulatory inspection, non-compliances and internal control deficiencies” in the section headed “Business” in this prospectus; (c) the investigation, assessment or the contesting of any claim; (d) the settlement of any claim; (e) any legal proceedings in which our Company or any member of our Group claims under or in respect of the Deed of Indemnity and in which judgment is given in favour of our Company or any of the members of our Group; or (f) the enforcement of any such settlement or judgment in respect of any claim.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of its subsidiaries in the Cayman Islands or the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

## **2. Litigation**

Neither our Company nor any of our subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries.

## **3. Sponsor**

The Sole Sponsor has made an application for and on behalf of our Company to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the Capitalisation Issue and the exercise of any options which may be granted under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

### *Sponsor's fees*

The fee payable by our Company to the Sole Sponsor to act as sponsor in relation to the Listing is HK\$4 million, and the Sole Sponsor will be reimbursed for their expenses properly incurred in connection with the Share Offer.

## **4. Compliance adviser**

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Alliance Capital as compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending

on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date or until the agreement is terminated, whichever is the earlier.

#### 5. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately HK\$37,346.4 and are payable by our Company.

#### 6. Promoter

Our Company has no promoter.

#### 7. Qualifications of experts

The following are the respective qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus:

Name	Qualifications
Alliance Capital Partners Limited	a licensed corporation under the SFO permitted to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities (as defined in the SFO)
KPMG	Certified Public Accountants
Tian Yuan Law Firm	Legal advisers to our Company as to PRC law
Appleby	Legal advisers to our Company as to Cayman Islands law
Frost & Sullivan	Independent industry consultant
Ng Wing Shan Queenie	Barrister-at-law in Hong Kong
Tai Kwan Hang Jonathan	Barrister-at-law in Hong Kong

#### 8. Consents of experts

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus, with the inclusion of its reports, letters, opinions or summaries thereof (as the case may be) and the references to its name included in this prospectus in the form and context in which they respectively appear.



**9. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**10. Registration procedures**

The principal share register of our Company in the Cayman Islands will be maintained by Estera Trust (Cayman) Limited and a branch share register of our Company will be maintained by Tricor Investor Services Limited, our Hong Kong Branch Share Registrar. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Hong Kong Branch Share Registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

**11. No material adverse change**

Save as disclosed in the section headed “Financial information — Material adverse change” in this prospectus regarding the incurring of Listing expenses, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 30 June 2017 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus.

**12. Taxation of holders of Shares***(a) Hong Kong*

Dealings in Shares registered on our Company’s Hong Kong Branch Share Register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

*(b) Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

*(c) Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

**13. Miscellaneous**

- (a) Save as disclosed in this Appendix and the sections “History, Reorganisation and corporate structure” and “Underwriting” of this prospectus, within the two years preceding the date of this prospectus:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and
  - (iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company or any of its subsidiaries.
- (b) No share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of our Company or any of our subsidiaries has been issued or agreed to be issued.
- (d) Our Directors confirm that, up to the date of this prospectus, save as disclosed in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2017 (being the date to which the latest audited combined financial statements of our Group were made up), and there had been no event since 30 June 2017 which would materially affect the information as shown in the accountants’ report.
- (e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.
- (f) None of the experts referred to above:
  - (i) is interested beneficially or non-beneficially in any shares in any member of our Group, including the Shares; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares.

- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (h) Our Company has no outstanding convertible debt securities.
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (j) There are no arrangements under which future dividends are waived or agreed to be waived.

## **12. Bilingual prospectus**

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). The English text of this prospectus shall prevail over the Chinese text in case of any discrepancy between the two versions.

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of the **WHITE, YELLOW, GREEN** and **PINK** Application Forms;
- (b) the written consents of the experts referred to in the section headed “Statutory and general information — E. Other information — 8. Consents of experts” in Appendix IV to this prospectus; and
- (c) copies of the material contracts referred to in the section headed “Statutory and general information — B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of TC & Co. of Units 2201–2203, 22nd Floor, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum and the Articles of Association;
2. the accountants’ report prepared by KPMG, the text of which is set out in Appendix I to this prospectus;
3. the report prepared by KPMG on the unaudited pro forma financial information of our Group, the text of which are set out in Appendix II to this prospectus;
4. the audited combined financial statements of the companies comprising our Group for the two years ended 31 December 2016 and the six months ended 30 June 2017;
5. the legal opinion prepared by Tian Yuan Law Firm, the legal adviser to our Company as to PRC law, in respect of certain aspects of our Group;
6. the letter of advice prepared by Appleby summarising certain aspects of the Companies Law referred to in Appendix III to this prospectus;
7. the Companies Law;
8. the material contracts referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix IV to this prospectus;
9. the service contracts and letters of appointment referred to in the paragraph headed “C. Further information about Directors, management and staff — 1. Directors” in Appendix IV to this prospectus;
10. the written consents referred to the paragraph headed “E. Other information — 8. Consents of experts” in Appendix IV to this prospectus;
11. the Share Option Scheme;
12. the Industry Report; and
13. the counsel’s opinion issued by Ms. Ng Wing Shan Queenie and Mr. Tai Kwan Hang Jonathan.

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**Excalibur Global Financial Holdings Limited**  
**駿溢環球金融控股有限公司**

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