

True Partner
Capital Holding

TRUE PARTNER CAPITAL HOLDING LIMITED

(Incorporated under the laws of the Cayman Islands with limited liability)

Stock code : 8657

SHARE OFFER

Sole Sponsor



Alliance Capital Partners Limited
同人融資有限公司

Joint Bookrunners



Alliance Capital Partners Limited
同人融資有限公司

BM INTELLIGENCE
邦盟滙駿證券有限公司
BMI Securities Limited



浦銀國際
SPDB INTERNATIONAL

SUNWAH KINGSWAY
新華滙富

Joint Lead Managers

Sirmax Securities Ltd.
佳富達證券

HGNH
INTERNATIONAL

港利資本
GLAM Capital

CARLYON



CHINA ON GLOBAL CAPITAL
中安環球資本集團有限公司

易昇證券
EASY SECURITIES

IMPORTANT

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

True Partner
Capital Holding

TRUE PARTNER CAPITAL HOLDING LIMITED

(Incorporated under the laws of the Cayman Islands with limited liability)

LISTING ON THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares	:	100,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Public Offer Shares	:	10,000,000 Shares (subject to re-allocation)
Number of Placing Shares	:	90,000,000 Shares (subject to re-allocation and Offer Size Adjustment Option)
Offer Price (subject to the Downward Offer Price Adjustment)	:	Not more than HK\$1.95 per Offer Share and expected to be not less than HK\$1.55 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund on final pricing) (If the Offer Price is set at 10% below the bottom end of the indicative Offer Price range after making the Downward Offer Price Adjustment, the Offer Price will be HK\$1.40 per Offer Share)
Nominal value	:	HK\$0.01 per Share
GEM Stock code	:	8657

Sole Sponsor



Alliance Capital Partners Limited
同人融資有限公司

Joint Bookrunners



Alliance Capital Partners Limited
同人融資有限公司

BM INTELLIGENCE
邦盟滙豐證券有限公司
BMI Securities Limited



浦銀國際
SPDB INTERNATIONAL

SUNWAH KINGSWAY
新華滙富

Joint Lead Managers

Sinomax Securities Ltd.
佳富達證券

HGNH
INTERNATIONAL

GLAM Capital
港利資本

CARLYON

CHINA ON GLOBAL CAPITAL
中安環球資本集團有限公司

EASY SECURITIES
易昇證券

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 by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for 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 Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 9 October 2020 and, in any event, not later than 5:00 p.m. on Saturday, 10 October 2020. The Offer Price will be not more than HK\$1.95 and is currently expected to be not less than HK\$1.55 per Offer Share (subject to the Downward Offer Price Adjustment) unless otherwise announced. Applicants for Offer Shares are required to pay, on application, the maximum Offer Price of HK\$1.95 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\$1.95. If, for any reason, the Offer Price is not agreed by Saturday, 10 October 2020 between the Company and the Sole Lead Manager (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 and our Company's website at www.truepartnercapital.com.

The Sole Lead Manager (for itself 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 and the Company's website at www.truepartnercapital.com 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 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 Bookrunners (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 occur.

ATTENTION

We have adopted a fully electronic application process for the Public Offer. We will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Public Offer.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.truepartnercapital.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

30 September 2020

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Public Offer. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Public Offer.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section and our website at www.truepartnercapital.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

To apply for the Public Offer Shares, you may:

- (1) apply online through the **HK eIPO White Form** service through the IPO App or at www.hkeipo.hk;
- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing 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; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (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 CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you have any question about the application for the Public Offer Shares, you may call the enquiry hotline of our Hong Kong Branch Share Registrar and **HK eIPO White Form** Service Provider, Tricor Investor Services Limited, both at +852 3907-7333 on the following dates:

Wednesday, 30 September 2020	–	9:00 a.m. to 5:00 p.m.
Saturday, 3 October 2020	–	9:00 a.m. to 1:00 p.m.
Monday, 5 October 2020	–	9:00 a.m. to 5:00 p.m.
Tuesday, 6 October 2020	–	9:00 a.m. to 5:00 p.m.
Wednesday, 7 October 2020	–	9:00 a.m. to 5:00 p.m.
Thursday, 8 October 2020	–	9:00 a.m. to 5:00 p.m.
Friday, 9 October 2020	–	9:00 a.m. to 12:00 noon

We will not provide any physical channels to accept any application for the Public Offer Shares by the public. The contents of the electronic version of this prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an **intermediary, broker** or **agent**, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Please refer to the section headed “How to Apply for Public Offer Shares” in this prospectus for further details on the procedures through which you can apply for the Public Offer Shares electronically.

IMPORTANT

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 2,000 Public Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Public Offer Shares applied for	Amount payable on application (HK\$)	No. of Public Offer Shares applied for	Amount payable on application (HK\$)	No. of Public Offer Shares applied for	Amount payable on application (HK\$)
2,000	3,939.31	80,000	157,572.01	600,000	1,181,790.09
4,000	7,878.60	90,000	177,268.52	700,000	1,378,755.11
6,000	11,817.91	100,000	196,965.02	800,000	1,575,720.12
8,000	15,757.20	150,000	295,447.53	900,000	1,772,685.14
10,000	19,696.51	200,000	393,930.03	1,000,000	1,969,650.15
20,000	39,393.00	250,000	492,412.54	2,000,000	3,939,300.30
30,000	59,089.51	300,000	590,895.05	3,000,000	5,908,950.45
40,000	78,786.01	350,000	689,377.56	4,000,000	7,878,600.60
50,000	98,482.51	400,000	787,860.06	5,000,000 ⁽¹⁾	9,848,250.75
60,000	118,179.01	450,000	886,342.57		
70,000	137,875.52	500,000	984,825.08		

(1) Maximum number of Public Offer Shares you may apply for.

No application for any other number of the Public Offer Shares will be considered and any such application is liable to be rejected.

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 in order to obtain up-to-date information on companies listed on GEM.

EXPECTED TIMETABLE⁽¹⁾

If there is any change to the following timetable relating to the Share Offer, we will make an appropriate announcement on the Stock Exchange's website at www.hkexnews.hk and on our Company's website at www.truepartnercapital.com to inform investors accordingly.

Date ⁽¹⁾

Public Offer commences 9:00 a.m. on Wednesday, 30 September 2020

Latest time for completing electronic applications under the
HK eIPO White Form service through one of the below channels:

- (1) the designated website at www.hkeipo.hk
- (2) the IPO App, which can be downloaded by searching
"IPO App" in App Store or Google Play or
downloaded at www.hkeipo.hk/IPOApp or
www.tricorglobal.com/IPOApp 11:30 a.m. on Friday, 9 October 2020

Application lists open ⁽³⁾ 11:45 a.m. on Friday, 9 October 2020

Latest time to give **electronic application instructions**
to HKSCC ⁽⁴⁾ 12:00 noon on Friday, 9 October 2020

If you are instructing 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 Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

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 Friday, 9 October 2020

Application lists close ⁽³⁾ 12:00 noon on Friday, 9 October 2020

Expected Price Determination Date ⁽⁵⁾ Friday, 9 October 2020

Where applicable, announcement of the Offer Price being
set below the bottom end of the indicative Offer Price
range after making the Downward Offer Price Adjustment
(please see the section headed "Structure of the Share
Offer – Pricing and allocation") on the website of the
Stock Exchange at www.hkexnews.hk and the
Company's website at www.truepartnercapital.com
on or before Thursday, 15 October 2020

- (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

EXPECTED TIMETABLE⁽¹⁾

- the basis of allocation of the Public Offer Shares to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.truepartnercapital.com from Thursday, 15 October 2020
- (2) Results of allocations in the Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including:
- in the announcement to be posted on the Company's website at www.truepartnercapital.com and the Stock Exchange's website at www.hkexnews.hk Thursday, 15 October 2020
 - from "IPO Results" function in the **IPO App** or the designated results of allocations website at www.tricor.com.hk/ipo/result (or www.hkeipo.hk/IPOResult) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Thursday, 15 October 2020 to 12:00 midnight on Wednesday, 21 October 2020
 - by telephone enquiry line by calling 3691-8488 between 9:00 a.m. and 5:00 p.m. from Thursday, 15 October 2020 to Tuesday, 20 October 2020
- (3) A full announcement of the Share Offer containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.truepartnercapital.com,⁽⁶⁾ from Thursday, 15 October 2020
- Dispatch/collection of Share certificates or deposit of the share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Public Offer on or before⁽⁷⁾ Thursday, 15 October 2020
- Dispatch/collection of refund cheques and **HK eIPO White Form** e-Auto Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to Public Offer on or before ⁽⁷⁾ ⁽⁸⁾ Thursday, 15 October 2020
- Dealings in the Shares on GEM expected to commence at 9:00 a.m. on Friday, 16 October 2020

EXPECTED TIMETABLE⁽¹⁾

The application for the Public Offer Shares will commence on Wednesday, 30 September 2020 through Friday, 9 October 2020, being longer than the normal market practice of four days. The application monies (including brokerage fees, SFC transaction levies and Stock Exchange trading fees) will be held by the receiving bank on behalf of the Company and the refund monies, if any, will be returned to the applicants without interest on Thursday, 15 October 2020. Investors should be aware that the dealings in Shares on the Stock Exchange are expected to commence on Friday, 16 October 2020.

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the **IPO App** or the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the **IPO App** or 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 of lodging applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 9 October 2020, the application lists will not open on that day. Please refer to the section headed “How to Apply for the Public Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for Public Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your **broker** or **custodian** to apply on your behalf via CCASS should refer to the section headed “How to Apply for Public Offer Shares – 6. Applying Through CCASS EIPO Service” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Friday, 9 October 2020 and, in any event, not later than 5:00p.m., on Saturday, 10 October 2020. If, for any reason, the Offer Price is not agreed by Saturday, 10 October 2020 between our Company and the Joint Bookrunners (for themselves and on behalf of Underwriters), the Share Offer will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) Applicants who have applied on **HK eIPO White Form** for 1,000,000 or more Public Offer Shares may collect any refund cheques and/or Share certificates in person from our Company’s Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 15 October 2020. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Applicants being corporations which are eligible for personal collection must attend through their authorised representatives bearing letters of authorisation from their corporations stamped with the corporation’s chop. Both individuals and authorised representatives of corporations must produce evidence of identity acceptable to our Hong Kong Branch Share Registrar at the time of collection.

Applicants who have applied for Public Offer Shares through CCASS EIPO should refer to the section headed “How to Apply for Public Offer Shares – 14. Dispatch/collection of share certificates and refund monies – Personal collection – (ii) If you apply through CCASS EIPO Service” in this prospectus for details.

Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

EXPECTED TIMETABLE⁽¹⁾

Share certificates and/or refund cheques (if applicable) for applicants who have applied for less than 1,000,000 Public Offer Shares and any uncollected share certificates and/or refund cheques (if applicable) will be dispatched by ordinary post and at the own risk of the applicants shortly after the expiry of the time for collection at the date of dispatch of refund cheque as described in the section headed “How to apply for Public Offer Shares – 14. Dispatch/collection of share certificates and refund monies” in this prospectus.

- (8) 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.
- (9) Share certificates for the Offer Shares allotted and issued to the placees are expected to be deposited directly into CCASS on or about Thursday, 15 October 2020 for credit to the relevant CCASS Participants’ or the CCASS Investor Participants’ stock accounts designated by the Joint Bookrunners (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.

Share certificates will only become valid certificates of title to which they relate at 8:00 a.m. (Hong Kong time) on the Listing Date provided that (i) the Share Offer has become unconditional in all respects; and (ii) the right of termination described in the section headed “Underwriting – Underwriting arrangements and expenses – Grounds for termination” in this prospectus has not been exercised and has lapsed. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid certificates of title do so entirely at their own risk.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Share Offers and does not constitute an offer to sell or a solicitation of an offer to buy any securities 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 offer 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 Bookrunners, 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 Bookrunners, 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.truepartnercapital.com do not form part of this prospectus.

	<i>Page</i>
Characteristics of GEM	i
Expected timetable	ii
Contents	vi
Summary	1
Definitions	20
Glossary of technical terms	31
Forward-looking statements	37
Risk factors	39
Information about this prospectus and the Share Offer	73
Waiver from compliance with the GEM Listing Rules	78
Directors and parties involved in the Share Offer	82
Corporate information	86
Industry overview	88

CONTENTS

	<i>Page</i>
Regulatory and licensing requirements	112
History, Reorganisation and corporate structure	149
Business	161
Relative value volatility strategy and illustration of trade process and execution	293
Relationship with the Capital Group	310
The Cornerstone Placing	316
Financial information	320
Directors and senior management	392
Share capital	405
Substantial Shareholders	409
Future plans and use of proceeds	414
Underwriting	438
Structure of the Share Offer	451
How to apply for Public Offer Shares	460
Appendix IA – Accountants’ report	IA-1
Appendix IB – Unaudited condensed consolidated financial information of the Group as of and for the three and six months ended 30 June 2020	IB-1
Appendix II – Unaudited pro forma financial information	II-1
Appendix III – Summary of the constitution of our Company and Cayman Companies Law	III-1
Appendix IV – Statutory and general information	IV-1
Appendix V – Documents delivered to the Registrar of Companies and available for inspection	V-1

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 are a Hong Kong and U.S. based fund management group which manages funds and managed accounts on a discretionary basis using a global volatility relative value trading strategy supported by our in-house proprietary trading platform. Such strategy involves the identification and exploitation of market inefficiencies in exchange listed options (through the purchase of relatively undervalued options and sale of relatively overvalued options) whilst hedging resulting options positions through the adoption of active portfolio management. This involves active 24/5 trading of liquid exchange listed derivatives (including equity index options with less than six months maturity, large cap single stock options, as well as futures, exchange traded funds and equities) across major markets (including the U.S., Europe and Asia) and different time zones using a single book, which enables us to promptly react to trading opportunities and arbitrage across major markets. Our trading decisions are supported by our in-house proprietary trading platform (embedded with option pricing and volatility surface models) designed for our specific way of trading and which enables real-time pricing of implied volatilities, quantitative comparisons, risk management as well as speedy execution of trades. The collective expertise and specialised knowledge in options and volatility trading of our team (including senior management team members with market making and software development background and who have worked together for over a decade) are the foundation of our proprietary trading technology and are material to our success.

We are a growing business with a trading strategy that has attracted material investments to our funds and managed accounts in recent years, with a large portion of our AUM invested in funds which were only launched, or otherwise in respect of investment mandates which were only entered, during the Track Record Period. Given the relatively short track record of most of our funds, we have relatively few investors (with our top 5 investors contributing to approximately 67.9%, 76.8% and 77.6% of our total AUM as at 31 December 2018, 31 December 2019 and 31 March 2020 respectively) at present and rely materially on our top investors in terms of our revenue generation. Notwithstanding this, our investors are typically not subject to lock-up on their investments (with only 4.3% of AUM subject to a lock-up period of 12 months, with one investor's lock-up being released for 25% after the first calendar quarter and gradually released in full in a staggered manner after 12 months) and they (including two large institutional investors who accounted for 36% of our revenue for the three months ended 31 March 2020) may redeem their investments at any time by providing 20 business days or less prior notice (with some investors entitled to redeem their investments by giving as short as one to three days' prior notice, despite this being within the industry norm). Notwithstanding net increase of our AUM over the years, material redemption decisions by our top investors (due to their assessment of the effectiveness of our trading strategy vis-à-vis other trading or investment strategies of other fund managers, or otherwise) may materially and adversely affect our fee income, potentially lead to the closure of the relevant fund(s) or managed account(s) (if all investments by investors are redeemed in full) which may lead to material reduction in our fee income and consequently possibly net loss being incurred by our Group, and may adversely affect our ability to attract new investments and our business prospects. Further, at present, the Group is materially reliant on the continued services of our senior management team and key personnel (in particular, our co-chief investment officers from the perspective of executing our trading strategy as well as our chief technology officer and global head of research and development for carrying out technology and software development functions), most of which have worked together for many years prior to joining our Group. Most of such senior management team members and key personnel may terminate their employment with us by providing short prior notices (generally ranging from one to three months, which is similar to the length of prior notice we are required to give to terminate their employment) and the departure of one or more of them may potentially impair our operations, business development or implementation of our business strategies. However, despite the crucial role of these members of staff to our operations, we do not maintain key man insurance because we have implemented various mitigating measures to ensure sustainability of our business including, without limitation (i) ensuring that there is considerable overlap in competencies and functions among our senior management and key personnel; (ii) ensuring that they are sufficiently incentivised through their shareholding (many of our senior management members has worked together for many years prior joining our Group and are Substantial Shareholders) as well as options which may be granted pursuant to the Pre-IPO Share Option Scheme and the Share Option Scheme); and (iii) additional hiring and training of staff to increase redundancies. Please refer to the paragraphs headed “We are a growing business with a limited number of products and investors (who do not have a long business relationship with our Group) and our business and prospectus may be materially and adversely affected by the withdrawal of investments due to loss in confidence in our trading strategy or otherwise, or the departure of senior management and key personnel whom we materially rely on to grow our business. The business nature of our Group during this growth stage as we continue to mature may be considered to be relatively high risk” and other related risk factors in the “Risk factor” section of this prospectus for further details of the relevant risks generally described above. Trading from our offices in Hong Kong and Chicago and supported by our technology centre in the Netherlands, we currently manage two flagship funds launched by us, namely, the True Partner Fund (launched in July 2011, which applies a volatility exposure which is intended to be viewed on an average) and the True Partner Volatility Fund

SUMMARY

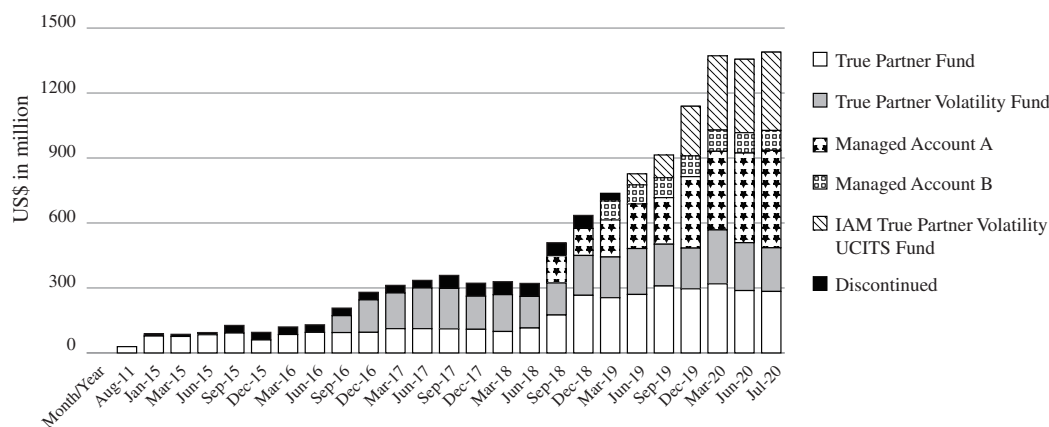
(launched in September 2016, which has a long volatility bias) as well as, through investment management and advisory mandates, a co-branded fund and two managed accounts, all of which adopt our trading strategy and investment approach. As at 31 December 2017, 2018 and 2019 and 31 March 2020, the AUM of (i) the True Partner Fund was approximately US\$109 million, US\$266 million, US\$296 million and US\$319 million, respectively; and (ii) the True Partner Volatility Fund was approximately US\$153 million, US\$184 million, US\$188 million and US\$249 million, respectively. As at 31 December 2018, 2019 and 31 March 2020, the AUM contributed by Managed Account A and IAM True Partner Volatility UCITS Fund in aggregate represented approximately 19.7%, 49.1% and 51.4% of the total AUM of our Group, respectively.

Please refer to the section headed “Our fund performance during the Track Record Period” in this section and the section headed “Business – Performance of our funds” for details of performance of the funds and managed of our Group. During periods of relatively lower volatility in the equity markets, our trading strategy would typically be less effective, as there would be relatively fewer in number and less profound opportunities which our trading strategy may be able to identify and realise for the purpose of generating returns. Sustained periods of low volatility in the equity markets may result in weaker performance of our funds and/or managed accounts, resulting in a lower amount of fees we may be entitled to charge, and this may result in a net loss being incurred by our Group. By way of example, the relatively low volatility in the equity markets for the years ended 31 December 2017 and 2019, respectively led our Group to record materially less or modest performance fees, and resulted in our Group incurring a net loss in the respective years. During these two years, our Group relied primarily on retained cash from previous profitable years, capital contributed by shareholders in previous years as well as management fees we were entitled to charge to cover our operational expenses, and limited discretionary bonuses to staff were paid. Please refer to the section headed “Financial information – Impact of less volatile equity markets on our financial performance” in this prospectus for further details.

The returns of our trading approach, as can be seen from the nearly ten-year track record of our flagship True Partner Fund, is uncorrelated or slightly negatively correlated to equity markets which means that our strategy generally benefits from, and outperform during periods of higher volatility (for example, during periods when equity markets experience large losses). Such characteristics make our funds an attractive hedge against other types of investments.

The following chart illustrates the growth in AUM managed by our Group since the inception of the True Partner Fund in 2011. Our AUM amounted to approximately US\$1.389 billion as at 31 July 2020, and approximately US\$1.579 billion as at 31 August 2020 (being the latest practicable date of this information prior to publication of this prospectus).

AUM from inception to July 2020



Note:

- (1) Our AUM increased by approximately US\$179 million from June 2018 to September 2018 primarily due to the commencement of Managed Account A and an investment by a new U.S.-based investor in the True Partner Fund.

We believe that our historical AUM growth is attributable to the relatively strong performance of our funds and managed accounts (derived from a proven trading strategy), which increased investor awareness of our “True Partner” brand. The attractiveness of our trading strategy and investment in our funds and managed accounts as a strong diversifier as part of portfolios of larger funds has led to investments from professional of financial institutions and we expect to continue to attract potential institutional capital as our AUM continues to grow through our marketing and efforts in building investor relationships and confidence.

Our fund management services are carried out by our licensed Investment Manager (a Cayman Islands exempted company licensed with the CFTC as a commodity pool operator in the U.S.), which has delegated investment management responsibilities to our HK Sub-Manager in Hong Kong (a corporation licensed with the SFC

SUMMARY

to carry out type 9 (asset management) regulated activity) and our U.S. Sub-Manager (registered with the SEC as an investment advisor). The investors in our funds and managed accounts are primarily professional investors. We do not hold client assets.

Whether our Group is suitable for listing given that only 4.3% of our AUM is subject to lock-up and the notice period of redemption is only generally 20 business days or less

Our investors are typically not subject to lock-up on their investments (with only 4.3% of AUM subject to a lock-up period of 12 months, with one investor's lock-up being released gradually in a staggered manner) and they (including two large institutional investors who accounted for 48% of our revenue for the year ended 31 December 2018) may redeem their investments at any time by providing short prior notice (generally 20 business days or less prior notice, with some investors entitled to redeem their investments by giving as short as one to three days' prior notice, despite this being within the industry norm). During the Track Record Period, other than in respect of Managed Account C (closed) where no redemption notice period was mutually agreed in writing, approximately 7.7%, 4.7% and 18.0% of our revenue was generated from investors with redemption notice periods of less than 20 days. As at 31 March 2020, 51.4% of AUM was attributable to investors with redemption notice periods of less than 20 days. Material redemption decisions by our top investors (which may result from such considerations as change in investment appetite or preference or other factors beyond our control) may materially and adversely affect our fee income, potentially lead to net losses being incurred, and may adversely affect our ability to attract new investments and our business prospects. The redemption amounts of our top 5 investors during the Track Record Period represented in aggregate approximately 13.2%, 19.8% and 7.1% of our AUM at 31 December 2018, 2019 and 31 March 2020, respectively.

Notwithstanding the above important redemption risk, our Directors believe that our Company is nevertheless suitable for Listing as the amount of AUM managed by our Group has continued to grow over the years since the inception of our first flagship fund, the True Partner Fund, in 2011. This is because, notwithstanding redemptions from investors from time to time as described in the section "Business - Overview" of this prospectus, there has been net subscriptions (i.e. taking into account redemptions) in our funds and managed accounts. For illustration, notwithstanding the material redemption amounts from our top 5 investors during the Track Record Period as described above, the net subscriptions (taking into account redemptions) of our top 5 investors were approximately US\$190.5 million; US\$530.1 million and US\$64.5 million for each of the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020;

OUR BUSINESS MODEL

Investment management services

We generate revenue through charging the funds and managed accounts under our management: (i) management fees, calculated as a percentage of NAV of shares of the relevant fund or managed account; and (ii) performance fees, calculated based on the absolute performance of the relevant fund or managed account, generally calculated on a high watermark basis by reference to the NAV of the relevant fund or managed account at a particular time. Further to our provision of fund management services, we also derived revenue from providing consultancy services.

Our flagship fund is the True Partner Fund which we launched in July 2011 as a stand-alone fund, but which was later restructured into a master-feeder structure to facilitate investments from U.S. taxable investors. We further launched an additional fund, the True Partner Volatility Fund, which is similarly structured, but with a trading strategy which has a long volatility bias which means that the trading strategy is tailored to have slight negative correlation to equities (i.e. deliver higher payoff during periods when equity markets experience losses). In addition to the funds launched by us, we also enter into investment management mandates with third parties who allocate a sub-fund of their umbrella fund or a portion of their assets to be managed by us. During the Track Record Period and up to the Latest Practicable Date, we managed two co-branded funds (being funds which include the "True Partner" name in the name of the fund) and four managed accounts in addition to the two funds launched by us of which, two managed accounts and one co-branded fund have been terminated as at the Latest Practicable Date. Please see the section headed "Business – Our funds under management" in this prospectus for more details on our funds and managed accounts.

We manage funds and managed accounts on a discretionary basis using a global volatility relative value trading strategy. Our trading strategy involves identifying market inefficiencies and dislocation in terms of implied volatility arising from events affecting equity markets, which results in options being overpriced or undervalued, and then setting up positions to capture potential benefits. During less volatile markets, our trading strategy would remain the same although there may be less volatility spread opportunities which we may capitalise, which may negatively affect the performance of our funds and managed accounts. During such periods, we may need to rely on retained cash from previous profitable years, capital contributed by shareholders as well as management fees to cover operational expenses, and no or very limited discretionary bonuses to staff would be paid. We did not have to resort to corporate restructuring, material equity or debt financing, liquidation or disposal of material assets, or the laying off of staff due to accumulated losses caused by lack of performance in such environment. We consider that our active trading strategy involving highly-liquid derivatives and use of our proprietary technology enhances our ability to react quickly to (abrupt) changes in market circumstances on an intra-day basis. For further information on our strategy, please see the sections headed "Business – Our investment approach" and "Relative value volatility strategy and illustration of trade process and execution" in this prospectus.

SUMMARY

The following table sets out certain operating data of our funds and managed accounts during the Track Record Period:

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
AUM at period end (<i>US\$ in million</i>)	635.0	1,138.0	737	1,373
Average AUM (<i>US\$ in million</i>)	430.1	846.2	688	1,266
Net fee income margin (%)	3.0	0.6	0.14	0.48
Net performance fee margin (%)	2.58	0	0	0.35
Net management fee margin (%)	0.43	0.56	0.14	0.13

The net fee income margin and net performance fee margin dropped significantly in the year ended 31 December 2019 as our Group's fee income was materially affected by a material decrease in the amount of performance fees generated as the relatively lower volatility in the equity markets during the year presented less opportunities to us and limited the performance of our funds and managed accounts. For further information on the performance and operating data of our funds and managed accounts, please see the sections headed "Business – Performance of funds" and "Financial Information – Revenue" in this prospectus.

The terms on which our fees are charged on our funds and managed accounts are negotiated with our investors on an arm's length basis, and for certain early and significant investors, we may negotiate specific terms with respect to management fees and performance fees (pursuant to which these investors may be given special/preferential fee treatments through subscriptions to special share classes and/or the entering into of side letters which shall continue for the duration of their investments). Generally, we would strive to negotiate, with those institutional investors which are charged lower management fees, a higher performance fee to compensate. However, we may not necessarily succeed in negotiating a higher performance fee in each case where we agree on a lower management fee. For the financial years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, approximately 44%, 60% and 61% of the total AUM of our Group was chargeable with management fees, whereas the remainder of AUM was not chargeable with management fees, respectively. Where an investor has negotiated nil management fees, the relevant increase in AUM may not necessarily result in an increase in our fee income. As at 31 December 2018 and 2019 and 31 March 2020, 48.4%, 75.7% and 62.5%, respectively, of the increase in our Group's AUM during the respective year/period were chargeable with a lower management fee, while 44.8%, 20.7% and 33.5%, respectively, of the increase in our Group's AUM during the respective years/period were chargeable with nil management fee rate. In respect of those investors in our flagship funds (i.e. the True Partner Fund and the True Partner Volatility Fund) and managed accounts which were offered preferential fee treatment (i.e. charged a lower management fee than 2% at the time), we were able to negotiate a higher performance fee (above 20%) in respect of four investors (out of 18 of such investors with preferential fee treatment), and the investment percentages in aggregate attributable to these investors were (i) approximately 15.9%, 7.3% and 7.5% of our total AUM as at 31 December 2018, 31 December 2019 and 31 March 2020, respectively; and (ii) approximately 12.0%, 12.9% and 3.7% of our total revenue contribution over the years ended 31 December 2018 and 2019 and three months ended 31 March 2020, respectively.

Such preferential fee arrangements may be offered to seed and early investors as well as more significant reputable investors willing to make meaningful investments as it is considered that the attraction of investments, especially during the initial launch stage of our funds, would be important for growing the relevant funds' AUM into a decent size which is crucial for attracting and facilitating prospective investments (due to minimum investment size requirements and concentration criteria that are commonly applied by asset allocators – please refer to the section headed "Industry Overview – Concentration criteria and minimum investment amount requirements of asset allocators" in this prospectus for further details).

Given that our Group has built a demonstrable track record over the years, our Directors believe that our Group is at a relatively matured stage whereby we could gradually reduce our reliance on seed capital and/or granting preferential fee arrangements in the future.

During the Track Record Period, for those investors to which we charged management fees, the fee rate charged ranged from 0.9% to 2%, with the majority between 1.5% and 2%, and our performance fees ranged from 5% to 50%. Performance fees are calculated based on the absolute performance of the relevant fund or managed account over the relevant performance period. Performance fees only become realised upon crystallisation which occurs upon the earlier of (i) redemption of investment by an investor; and (ii) at the end of the relevant performance period, which may be 31 March, 30 June, 30 September or 31 December, depending on the terms of the relevant fund or managed account.

Our Hong Kong and Chicago offices house our investment management teams, and our third office in Amsterdam mainly provides IT and software development support. As at the Latest Practicable Date, four responsible officers and seven licensed representatives are accredited to our HK Sub-Manager, and we employed in total 26 staff.

SUMMARY

Consultancy services

From time to time, we may provide consultancy services to complement our fund management business. Our largest customer of consultancy services over the Track Record Period was Capital Futures Corp., a company listed on the Taiwan Stock Exchange (stock code: 6024) and a subsidiary of CSC. Pursuant to an agreement dated 1 July 2015, we provided Capital Futures Corp. with consultancy services in relation to trading analysis, market research and derivatives related information technology. The consultancy services agreement was terminated on 31 December 2018 upon completion of our services. Additionally, our consultancy services may include serving as expert witness to market regulators with regards to cases involving suspected market manipulation as well as our personnel making contributions to university courses.

For information on our consultancy services provided to and our relationship with Capital Futures Corp., please see the section headed “Relationship with the Capital Group” in this prospectus, respectively.

Our investors

The investors of our funds and managed accounts are mainly professional investors, including collective investment undertakings, family offices, pension funds, high-net-worth individuals, endowments/foundations and financial institutions.

For a breakdown of our Group’s AUM and revenue by major type of customers during the Track Record Period, please see the section headed “Business – Our investors” in this prospectus. In particular, our AUM contributed by collective investment undertakings increased significantly from US\$446 million as at 31 December 2018 to US\$936 million as at 31 December 2019, which was mainly attributable to the capital contributed by Investor B and International Asset Management Limited. Revenue from collective investment undertakings, family offices, high-net-worth individuals and financial institutions decreased significantly between the years ended 31 December 2018 and 2019, which was mainly due to the decrease in performance fee income during 2019. From the three months ended 31 March 2019 to the same period in 2020, revenue generated across the different major types of customers (apart from endowments) significantly increased. Further, the amount of AUM also increased across the different major customer types from the end of 2019 to 31 March 2020. Throughout the Track Record Period, over 30 investors invested in our funds and managed accounts.

Geographical information of our revenue for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020 is set out in note 4 of the Accountants Report at Appendix IA to the prospectus.

Please refer to the sections headed “Business – Our Investors” and “Financial Information – Overview” for more details.

For each of the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, revenue generated from our five largest investors (in terms of contribution to our fund management business revenue) accounted for approximately 70.40%, 53.6% and 57.7% of our fund management business revenue, respectively, and revenue generated from our largest investor (in terms of contribution to our fund management business revenue) accounted for approximately 38.4%, 15.2% and 24.8% of our fund management business revenue, respectively. Our subsidiary True Partner Holding Limited holds a 2.73% equity interest in CSC Futures which was our third largest investor by contribution to our fund management business revenue in 2018 and third largest investor by AUM as at 31 December 2018. For more information on our relationship with CSC Futures and its investments in our funds, please see the sections headed “Business – Our Investments”, “Business – Our investors – Clients and investors who are related persons of our Group” and “Relationship with the Capital Group” in this prospectus.

In order to demonstrate alignment of interests between our funds’ investors and our Group, our subsidiary True Partner Advisor Limited has invested in True Partner Fund. Please see the section headed “Business – Our Investments” in this prospectus for further information.

Our service providers

Our major service providers over the Track Record Period included (i) capital introduction partners who assist us in sourcing investors; (ii) providers of office space in Hong Kong; (iii) a consultant who provided services relating to, without limitation, market research and business development as well as providing guidance and advisory (with such consultancy ceasing in 2019, subsequent to which the consultant became a connected person); (iv) a software consultancy service provider in respect of the provision of remote support, internet and consultancy services; and (v) a contractor to provide administrative support in connection with the Listing.

We engage capital introduction partners to assist us in sourcing institutional investors and certain high-net-worth individuals for our funds. The amount of fees paid to such capital introduction partners amounted to approximately 18.9%, 15.8% and 13.4% of our gross management fee income in 2018 and 2019 and the three months ended 31 March 2020, respectively, and 8.9% and 2.5% of our gross performance fee income in 2018 and the three months ended 31 March 2020, respectively. As we continue to grow our brand and reputation as a fund manager specialised in global volatility relative value strategies, an increasing number of potential investors have contacted us directly with a view to considering investing in our funds. As such, we expect to reduce our use of capital introduction partners in the future and to use part of the net proceeds from the Share Offer for hiring staff to carry out more direct engagement, marketing and liaison work with prospective investors. Please refer to the section headed “Future plans and use of proceeds” in this prospectus for further details.

In addition, various professional parties, including administrators, prime brokers, custodian and legal counsels, provide services to the funds under our management.

SUMMARY

Risks relating to our business operations

Due to the nature of our operations, our Group faces various risks (in addition to legal and compliance risks) including, without limitation:

- (i) **redemption risk:** we are subject to redemption risk, with only a small portion of our investors in our funds/managed accounts (only approximately 4.3% of our AUM) is subject to a lock-up period of 12 months, with one investor's lock-up being released gradually in a staggered manner) and most of our investors may redeem their investments with short notice (generally 20 business days or less prior notice, with some investors entitled to redeem their investments by giving as short as one to three days' prior notice, despite this being within the industry norm); and
- (ii) **key man risk:** we depend on our senior management and key personnel for our business and operations; most of them may terminate their employment with us by providing short prior notices and the departure of one or more of them may potentially impair our operations, business development or implementation of our business strategies.

For further details of risks relevant to our operations including, *inter alia*, trading risks, counterparty risks, liquidity risk and market risks, please refer to the section "Business – Risk management and internal control – Risk management" of this prospectus.

PRINCIPAL RISK FACTORS

Our business faces risks including those set out in the section headed "Risk Factors" in this prospectus. Some of the major risks are summarised below:

- we are a growing business with a limited number of products and investors (most of them do not have long business relationships with our Group) and our business and prospects may be materially and adversely affected by the withdrawal of investments due to loss of confidence in our trading strategy or otherwise, or the departure of senior management and key personnel whom we materially rely on for our business operations. However, our investors are typically not subject to lock-up on their investments (with only 4.3% of AUM subject to a lock-up period of 12 months, with one investor's lock-up being released gradually in a staggered manner) and they (including two large institutional investors who accounted for 48% of our revenue for the year ended 31 December 2018) may redeem their investments at any time by providing short prior notice (generally 20 business days or less prior notice, with some investors entitled to redeem their investments by giving as short as one to three days' prior notice, despite this being within the industry norm). Material redemption decisions by our top investors (which may result in considerations, such as change in investment appetites or preference or other factors beyond our control) may materially and adversely affect our fee income, potentially lead to net losses being incurred, and may adversely affect our ability to attract new investments and our business prospects. Furthermore, our profitability may be adversely impacted by potential increases in our costs incurred after the Listing, as we have to hire additional staff under our business expansion plan and to offer higher base salaries to attract the necessary qualified staff and we may offer better remuneration packages (including higher base salaries and/or higher bonuses) to our staff to recognise the contribution that our staff have made to our Group over the years and the degree of experience and seniority that they have attained after working with our Group for a period of time.
- we depend on our senior management and key personnel (in particular, our co-chief investment officers from the perspective of executing our trading strategy as well as our chief technology officer and global head of research and development for carrying out technology and software development functions) for our business and operations and most of them may terminate their employment with us by providing short prior notices (generally ranging from one to three months, which is similar to the length of prior notice we are required to give to terminate their employment). Whilst the departure of one or more of them may potentially impair our operations, business development or implementation of our business strategies, we do not maintain key man insurance.
- our revenue decreased between 2018 and 2019, and we suffered a net loss after tax for the year ended 31 December 2019. There is no assurance that our revenue and net profit/loss after tax position will not materially deteriorate in the future;
- our volatility trading strategy is relatively less effective during low market volatility periods which may impact investor appetite for our funds and managed accounts;
- our Group's results of operations and financial condition may be materially and adversely affected by the investment performance of our funds and managed accounts, as unsatisfactory performance would affect our ability to generate fees and may lead to reduced purchases, subscriptions, redemptions and/or withdrawals from our funds and managed accounts; in particular, where the amount of management and performance fees we are entitled to charge is not sufficient to cover our operating costs we may incur a loss (for reference, we had an accumulated loss of approximately HK\$19.8 million as at 1 January 2018 due to loss-making periods over the start-up stages of our funds);
- we depend on our senior management and key personnel (including our co-chief investment officers, Mr. Godefriedus Jelte Heijboer and Mr. Tobias Benjamin Hekster, who are Shareholders in our Company, in leading execution of our trading strategy) who possess extensive experience, knowledge and expertise in trading, market making and technology development; nevertheless, we do not maintain key man

SUMMARY

insurance for such senior management or key personnel and their engagement may be terminated without restrictions in their terms of employment at any time. The loss of members of our senior management team and/or key personnel and/or the inability to find suitable replacements may significantly disrupt our business and adversely impair our business prospects and the implementation of our business objectives and strategies;

- our growth in profits substantially depends on increasing our AUM, and there may be a decline in our AUM as investors may withdraw and/or redeem their investments in our funds and managed accounts, and we may fail to attract new AUM in the future if investors are not attracted to our global equity relative value volatility strategy;
- our top investors may reduce, withdraw or redeem their investments in our funds by giving very short notice (generally 20 business days or less prior notice, with some investors entitled to redeem their investments by giving as short as one to three days' prior notice) due to changes in their investment appetite and preference as well as other factors beyond our or their control; and
- a significant portion of our fee income is derived from performance fees which are subject to the fluctuations in our funds' investment performance and thus increase the volatility of our Group's earnings.

OUR FUND PERFORMANCE DURING THE TRACK RECORD PERIOD

The following table sets out the performance of the funds and managed accounts of our Group (excluding those which were closed during the Track Record Period) against the performance of the CBOE Eurekahedge indices (which provide a broad measure of the performance of underlying hedge fund managers that trade in volatility strategies). Please refer to the "Glossary of technical terms" section of this prospectus for a description of these indices, as well as the section headed "Industry Overview – Sub-Classification of Volatility Trading Strategies" in this prospectus as to why these indices are the most appropriate and representative benchmarks for measuring performance against our Group's trading strategy.

	True Partner products					Volatility hedge fund indices			Equities
	True Partner Fund ⁽¹⁾	True Partner Volatility Fund ⁽¹⁾	IAM True Partner Volatility UCITS Fund ⁽²⁾	Managed Account A ⁽³⁾	Managed Account B ⁽⁴⁾	CBOE Eurekahedge Relative Value Volatility Index	CBOE Eurekahedge Long Volatility Index	CBOE Eurekahedge Short Volatility Index	MSCI World Total Return Hedged USD
Net returns over the Track Record Period (%)									
• Year ended 31 December 2018	25.8	22.8	N/A	4.4	N/A	-3.9	0.8	-13.0	-6.6
• Year ended 31 December 2019 ⁽⁵⁾	-7.5	-12.1	-0.5	-7.0	-3.6	-1.6	-10.9	8.3	28.4
• Three months ended 31 March 2020	13.3	18.1	8.9	13.7	11.1	3.4	31.8	-27.5	-19.8
Overall	31.8	27.6	8.4	10.4	7.1	-2.2	18.5	-31.7	-3.8
Downside capture (%) ⁽⁶⁾	-89	-101	N/A	N/A	N/A	13	-89	99	100
Net returns for the four months ended 31 July 2020 ⁽⁷⁾									
	-1.7	-3.2	-1.6	-1.33	-1.3	-0.2	-0.4	23.6	22.6

Notes:

- (1) Represents the net returns of class B-1 shares of our Group's flagship True Partner Fund and True Partner Volatility Fund. Please refer to "Business – Performance of funds – Performance of True Partner Fund and True Partner Volatility Fund" for information on the share classes of our funds. The net returns of different share classes of the True Partner Fund and the True Partner Volatility Fund were similar over the Track Record Period.
- (2) 2019 returns are for the partial year and represent the net returns of Class I-1 USD shares, which is the currently open share class.
- (3) 2018 returns are for the partial year and returns are based on AUM which takes into account the effect of leverage. For information on the leveraging of the account, please see the section "Business – Our funds under management – Assets under management under discretionary investment management mandates – Managed Account A".
- (4) 2019 returns are for the partial year.
- (5) Our funds and managed accounts incurred negative returns in 2019 as a result of the negative performance of the respective funds and managed accounts and the decrease in NAV due to costs and expenses (including, without limitation, management fees, fees paid to professional parties, directors' and officers' fees, other trading and transaction costs) incurred by our funds and managed accounts.
- (6) Please refer to the "Glossary of technical terms" section of this prospectus for a definition of downside capture.
- (7) The global equity markets have started to recover from the start of April until the end of July 2020 following the abrupt downturn in Q1 2020, as seen by a rise of 22.6% in the MSCI World Total Return Hedged USD index over the period. With such recovery, the level of volatility has also declined from the high levels in Q1 2020. (e.g. the VIX index has dropped by 54%). Whereas market environments of declining volatility tend to be less favourable for our trading strategy, our funds and managed accounts tend to have a small negative correlation to equity markets and this therefore resulted in a small negative return of our funds and managed accounts. Over the first half of 2020, we significantly outperformed the MSCI World Total Return Hedged USD index, with the performance of the True Partner Fund increasing by 13.4% and the True Partner Volatility Fund increasing by 16.8% while the index was down by 4.9% over the same period.

SUMMARY

In respect of the performance of funds and managed accounts which were closed during the Track Record Period, the performance of (i) Managed Account C was +14% in 2018 and 0% in 2019; (ii) Managed Account D was +3% in 2018 and 0% in 2019; and (iii) co-branded fund A was +14% in 2018 and -2% in 2019.

Our True Partner Fund, our flagship fund with the longest track record of our managed funds, generated annualised returns from inception in 2011 until 31 July 2020 (being the latest practicable date of this information) of approximately +6.25%.

True Partner Volatility Fund, our other flagship fund, generated annualised returns from inception in September 2016 until 31 July 2020 (being the latest practicable date of this information) of +2.23%.

For further details on the performance of our funds and managed accounts (including net monthly returns of our flagship funds, True Partner Fund and True Partner Volatility Fund), please refer to the sections headed “Business – Performance of funds” in this prospectus.

PERFORMANCE OVER THE TRACK RECORD PERIOD

Due to our trading strategy, the funds and managed accounts under our management benefited and monetised gains from opportunities presented at times when there was a spike in volatility in equity markets. In 2018, the funds and managed accounts of our Group benefited from “Volmageddon” (an unorderly unwinding of positions by over-exposed funds (i.e. those which had accumulated large volatility short positions (or sold significant number of options) which made them vulnerable to sudden market shocks) by buying back short positions in options contracts which they had sold following an extended period of market calmness that resulted in sizable volatility spread opportunities) in February as well as the declines in markets (dragged by investors’ fear of rising interest rates) in October (please refer to the section “Business – Performance of Funds – Performance of True Partner Fund and True Partner Volatility Fund” in this prospectus for further details). As such, during the year, the NAV of funds and managed accounts under our management grew substantially by 97.20% to approximately US\$635 million, and we generated gross management fees and performance fees of approximately HK\$17.8 million and HK\$94.5 million pursuant to the relevant investment mandates respectively.

During 2019 however, the equity markets were relatively less volatile compared to 2018 and this led to less volatility spread opportunities which our Group could capitalise on. During such less active or volatile period, our trading strategy would be to limit positions and transaction costs as there would be generally less opportunities. During the year, we generated gross management fees of approximately HK\$43.6 million while our gross performance fee was only approximately HK\$8,000 due to less market volatility opportunities, but the AUM of our Group continued to grow during the period by 79.21% to approximately US\$1.14 billion, and as explained in the Industry Report, such AUM growth was attributable to our strong performance during volatile periods or market downturns due to the strong downside capture of our funds and managed accounts.

For quantitative information regarding historical volatility of equity markets in 2018 and 2019 and the first half of 2020 as well as details of the impact of less or more volatile equity markets on our financial performance, please refer to the section “Financial information – Overview” of this prospectus.

The following table illustrates the movement of AUM managed by our Group over the Track Record Period up to 31 July 2020 (being the latest practicable date of this information) for reference:

	Year ended 31 December 2018	Year ended 31 December 2019	For the three months ended 31 March 2020	From 1 April 2020 to 31 July 2020 (i.e. the latest practicable date of this information)
	(US\$ million)	(US\$ million)	(US\$ million)	(US\$ million)
AUM at beginning of relevant year/ period	322	635	1,138	1,373
Subscription by new investors	215	113	1	2
Subscription by existing investors	130	637	149	160
Redemption	(100)	(182)	(78)	(175)
Performance ^(Note)	68	(65)	163	29
AUM as at the end of relevant year/ period	<u>635</u>	<u>1,138</u>	<u>1,373</u>	<u>1,389</u>

Note: “Performance” is calculated as the difference between AUM as at the start and end of the relevant period less subscriptions plus redemption, and refers to the portion of AUM as at the end of the relevant period that is related to performance of our funds/managed accounts. For information on calculation of our performance fees, please see the section headed “Business – Investment management – Our investment management fees” in this prospectus.

Our AUM decreased from US\$1.373 billion as at 31 March 2020 to US\$1.273 billion as at 31 May 2020 as a result of the redemptions of investments described above. However, as explained in the “Industry overview” section of this prospectus, it is observed that there may be a rise in investor demand for volatility strategies with strong performance during periods of market turmoil, and with Q1 2020 serving as a reminder of the potential downsides of equities and upside of diversifiers when assessing current and future investments, this had led to some investors seeking volatility strategies that offer diversification benefit such as those of our funds. As such, there had been net subscriptions to our funds and our Group’s total AUM has subsequently increased to US\$1.389 billion as at 31 July 2020 and amounted to approximately US\$1.579 billion as at 31 August 2020. Our Directors believe that our AUM

SUMMARY

will continue to increase as the equity markets are expected to remain volatile for the remainder of 2020. For details of the movement in AUM during the Track Record Period of our top five investors (in terms of AUM as at 31 December 2018, 2019 and 31 March 2020), please see the section headed “Business – Our Investors – Our top five investors during the Track Record Period” in this prospectus.

With the continued growth in our AUM, our senior management made a conscious decision in 2019 to redirect resources from the provision of consultancy services to further focus on our core fund management services. This follows the termination of the consultancy agreement with Capital Futures Corp., the largest customer of our consultancy services over the Track Record Period.

OUR COMPETITIVE STRENGTHS

We 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 senior management team has extensive industry knowledge, understanding of derivatives markets, technical experience and expertise in trading as both market makers and hedge fund managers, and they have developed and maintained a stable working relationship over the years;
- we have developed our own proprietary trading system and technology designed for our specific way of trading which enables our portfolio managers to gain access to and monitor global markets as well as simultaneously trade, manage portfolios and monitor risks based on our own proprietary input on a real-time basis;
- with sophisticated analytical tools and pricing models supported by quantitative research, our trading technology enables us to identify and monetise opportunities efficiently as they arise;
- our flagship fund, the True Partner Fund, has generated absolute and risk-adjusted returns in excess of major hedge fund volatility indices over its life and such historical returns are expected to enable us to effectively market our funds and attract institutional capital, in particular as our AUM has become more substantial; and
- we have developed a strong reputation in the volatility strategy area and have a strong investor base that includes professional of financial institutions and institutions which will enhance the marketability of our funds.

OUR BUSINESS STRATEGIES

Our goal is to become a prominent fund manager in the volatility strategy space and to further grow our AUM to enhance our profitability. We intend to pursue the following growth strategies to achieve our goal, details of which are set out in the section headed “Future plans and use of proceeds” in this prospectus:

- focus on diversifying our service offering through the establishment of new investment products with a view to continuing to grow our AUM and developing relationships with a broader range of prospective investors;
- focus on building awareness of our trading strategy and brand through more direct engagement with prospective investors and increasing our sales and marketing activities;
- strengthening and enhancing our IT and execution capability;
- expanding our global presence and manpower; and
- further demonstrating alignment of interest with investors through investment into our existing and new funds.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables present selected historical financial information and key operational data during the Track Record Period. The financial information as of and for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020 are derived from and should be read in conjunction with our audited consolidated financial statements, including the accompanying notes, set out in the Accountants’ Report in Appendix IA to this prospectus.

SUMMARY

Highlights of our consolidated statements of comprehensive income

The following table sets out a summary of our consolidated statements of comprehensive income for the Track Record Period:

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	158,171	44,478	8,744	49,598
Other income	20	289	85	55
Direct costs	(11,747)	(6,894)	(1,446)	(2,794)
Fair value gain/(loss) on financial assets at fair value through profit or loss	275	(1,222)	(183)	2,392
General and administrative expenses	(48,887)	(49,716)	(10,711)	(22,500)
Listing expenses	–	(7,495)	–	(10,598)
Finance costs	(3)	(135)	(1)	(37)
Profit/(loss) before income tax	97,829	(20,695)	(3,512)	16,116
Income tax expense	(12,803)	(382)	(54)	(5,284)
Profit/(loss) for the year/period	<u>85,026</u>	<u>(21,077)</u>	<u>(3,566)</u>	<u>10,832</u>
Total comprehensive income/(loss) for the year/period attributable to:				
Owners of the Company	78,716	(22,815)	(3,976)	9,453
Non-controlling interest	996	679	110	188
	<u>79,712</u>	<u>(22,136)</u>	<u>(3,866)</u>	<u>9,641</u>

The following table sets out a breakdown of our revenue for the Track Record Period:

	Year ended 31 December				Three months ended 31 March			
	2018		2019		2019		2020	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Revenue from funds and managed accounts								
Management fee income	17,834	11.3	43,576	98.0	8,744	100.0	14,239	28.7
Performance fee income (Note)	94,484	59.7	8	0.0	–	–	35,359	71.3
<i>Sub-total</i>	112,318	71.0	43,584	98.0	8,744	100.0	49,598	100.0
Revenue from consultancy services	45,853	29.0	894	2.0	–	–	–	–
Total	<u>158,171</u>	<u>100.0</u>	<u>44,478</u>	<u>100.0</u>	<u>8,744</u>	<u>100.0</u>	<u>49,598</u>	<u>100.0</u>

Note: The performance fee income of our Group decreased significantly in the financial year ended 31 December 2019 primarily due to low fund performance in 2019 as compared to 2018, which we attribute to the occurrence of reduced market volatility in 2019 as compared to market volatility spikes in 2018.

During the Track Record Period, our revenue decreased from approximately HK\$158.2 million for the year ended 31 December 2018 to approximately HK\$44.5 million for the year ended 31 December 2019, representing a decrease of approximately HK\$113.7 million or 71.9%. This decrease was primarily attributable to (i) a decrease in revenue from performance fee income in 2019 of approximately HK\$94.5 million, as a result of low fund performance in 2019 as compared to 2018 which we attribute to the occurrence of reduced market volatility in 2019 as compared to market volatility spikes in 2018 (which is in accordance with our trading strategy to make a profit particularly during periods of increased market volatility); and (ii) a decrease in our consultancy service fees in 2019 as a result of the termination of our consultancy services agreement with our largest customer of consultancy services in December 2018, partially offset by the increase in management fees as a result of the increase in AUM from 2018 to 2019. Our revenue increased from approximately HK\$8.7 million for the three months ended 31 March 2019 to approximately HK\$49.6 million for the three months ended 31 March 2020, representing an increase of approximately HK\$40.9 million or 4.7 times. Such increase was mainly due to (i) an increase in performance fee income, attributable to the positive performance of our funds and managed accounts in Q1 2020, due to increased trading opportunities (arising from a more volatile equity market environment in Q1 2020 caused by the COVID-19 pandemic) which we were able to monetise; and (ii) an increase in management fee income as a result of an increase in AUM for Q1 2020. For the year ended 31 December 2018, we incurred net profit before income tax of

SUMMARY

approximately HK\$97.9 million, and for the year ended 31 December 2019, we incurred a net loss before income tax of approximately HK\$20.7 million of which approximately HK\$7.5 million was Listing expenses. This decrease was primarily attributable to the decrease in our revenue for the reasons discussed above. For the three months ended 31 March 2019, we incurred a net loss before income tax of approximately HK\$3.5 million, and for the three months ended 31 March 2020, we incurred a net profit before income tax of approximately HK\$16.1 million. This increase was primarily attributable to an increase in our revenue of approximately HK\$40.9 million between the periods.

For further information, please see the section headed “Financial Information – Description of selected items in consolidated statements of profit or loss and other comprehensive income” in this prospectus.

Financial performance before the Track Record Period

For the years ended 31 December 2015, 2016 and 2017, our Group recorded net profit of HK\$13.7 million and HK\$2.3 million and net loss of HK\$8.8 million, respectively. Despite the significant fluctuations in our financials over the years, management fee income from our fund management business grew gradually over the three years prior to the Track Record Period, which was generally in line with our growth in AUM. For details of our financial performance before the Track Record Period, please refer to the section headed “Financial Information – Financial performance before and during the Track Record Period” in this prospectus.

NON-HKFRS measures

The following table sets forth a reconciliation between our profit/(loss) presented in accordance with HKFRS during the Track Record Period and our non-HKFRS adjusted profit, non-HKFRS adjusted profit before interest and tax and non-HKFRS adjusted profit/(loss) before working capital charges during the Track Record Period.

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year/period	85,026	(21,077)	(3,566)	10,832
Adjusted for:				
Listing expenses	—	7,495	—	10,598
Non-HKFRS adjusted profit/(loss) for the year/period	85,026	(13,582)	(3,566)	21,430
Add: Finance costs	3	135	1	37
Add: Income tax expense	12,803	382	54	5,284
Non-HKFRS adjusted profit/(loss) before interest and tax for the year/period	97,832	(13,065)	(3,511)	26,751
Profit/(loss) margin (%)	53.8	(47.4)	(40.8)	21.8
Non-HKFRS adjusted net profit/(loss) margin (%)	53.8	(30.5)	(40.8)	43.2
Non-HKFRS adjusted net profit/(loss) margin before interest and tax (%)	61.9	(29.7)	(40.2)	53.9

SUMMARY

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating profit/(loss) before working capital changes	98,107	(17,380)	(3,181)	14,391
Add: Listing expenses	—	7,495	—	10,598
Non-HKFRS adjusted operating profit/(loss) before working capital changes	98,107	(9,885)	(3,181)	24,989

The above non-HKFRS information are included to illustrate to prospective investors the effect of excluding Listing expenses (in the amounts of approximately HK\$7.5 million and HK\$10.6 million for the year ended 31 December 2019 and the three months ended 31 March 2020, respectively) on our net profit/(loss) and operating profit/(loss) before working capital changes during the Track Record Period, as such expenses, recognised under the HKFRS, are non-recurring in nature and are not related to the ordinary and usual course of our business. Such non-HKFRS information are intended to assist prospective investors' assessment of the operating performance and results of operations of our Group over the Track Record Period, but they do not have standardised meaning prescribed by the HKFRS, and therefore may not be comparable to similar measures presented by other issuers. The use of such measures has limitations as an analytical tool as they do not include all items that have an impact on our profit during the Track Record Period; as such, you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under the HKFRS.

For the year ended 31 December 2019, we recorded net cash used in operating activities before working capital changes (excluding Listing expenses) of approximately HK\$9.9 million, primarily attributable to loss before income tax of approximately HK\$20.7 million as a result of (i) the decrease in revenue from performance fee income in 2019 and (ii) the decrease in our consultancy service fees in as a result of the termination of our consultancy services agreement with our largest customer of consultancy services in December 2018. For further information, please see the section headed "Financial Information – Description of selected items in consolidated statements of profit or loss and other comprehensive income" in this prospectus.

Highlights of our statements of financial position

The following table sets out a summary of our statements of financial position as of the dates indicated:

	As at 31 December		As at 31 March
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	13,278	27,629	28,321
Current assets	127,359	83,926	103,515
Total assets	140,637	111,555	131,836
Current liabilities	32,780	23,711	34,767
Net current assets	94,579	60,215	68,748
Net assets	107,857	85,721	95,362
Non-controlling interests	3,979	4,658	4,846

Our net current assets position decreased from approximately HK\$94.6 million as at 31 December 2018, to approximately HK\$60.2 million as at 31 December 2019, representing a net current assets decrease of approximately HK\$34.4 million or 36.2%. This decrease was primarily attributable to (i) a decrease in accounts receivable of approximately HK\$60.7 million and (ii) the net loss recorded resulting from a decrease in our performance fees in 2019 as a result of a decrease in the performance of our funds and managed accounts and a decrease in our consultancy fee receivable as at year ended 31 December 2019, partially offset by an increase in cash and cash equivalents of approximately HK\$13.8 million. Our net current assets increased from approximately HK\$60.2 million as at 31 December 2019 to approximately HK\$68.7 million as at 31 March 2020. Such increase was mainly due to an increase in accounts receivable in the amount of approximately HK\$43.1 million as a result of an increase in revenue generated (in particular in terms of performance fee income) in Q1 2020, partially offset by (i) a decrease in cash and cash equivalent in the amount of approximately HK\$21.3 million as a result of payment of tax expenses during the period; and (ii) an increase in accrual and payables relating to employees benefits. As at 31 December 2019, our Group had net assets of approximately HK\$85.7 million, comprising non-current assets of approximately HK\$27.6 million, current assets of approximately HK\$83.9 million and current liabilities of approximately HK\$23.7 million. The decrease in net asset position between 31 December 2018 and 2019 was mainly due to the decrease in net current assets (for the reasons discussed above) and partially offset by the increase in non-current assets. As at 31 March 2020, our Group had net assets of approximately HK\$95.4 million, comprising non-current assets of approximately HK\$28.3 million, current assets of approximately HK\$103.5 million and current liabilities of approximately HK\$34.8 million.

SUMMARY

For further information, please see the sections headed “Financial information – Description of selected items in consolidated statements of profit or loss and other comprehensive income”, “Financial information – Discussion of selected balance sheet items – Net current assets” and “Financial information – Discussion of selected balance sheet items – Non-current assets” in this prospectus.

Highlights of our consolidated statements of cash flows

The following table sets out a summary of our cash flows for the Track Record Period:

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating profit/(loss) before working capital changes	98,107	(17,380)	(3,181)	14,391
Net change in working capital	(46,047)	50,059	48,261	(24,041)
Cash generated from/(used in) operations	52,060	32,679	45,080	(9,650)
Interest received	9	18	6	–
Hong Kong profit tax refunded/(paid)	339	(1,221)	–	(11,082)
Overseas income tax paid	–	(2,674)	–	–
Net cash generated from/(used in) operating activities	52,408	28,802	45,086	(20,732)
Net cash used in investing activities	(7,958)	(13,850)	(12,110)	(106)
Net cash used in financing activities	(3)	(1,133)	(1)	(437)
Net increase/(decrease) in cash and cash equivalents	44,447	13,819	32,975	(21,275)
Cash and cash equivalents at the beginning of the year/period	11,664	55,946	55,946	69,765
Effect of foreign exchange rate changes	(165)	–	–	(10)
Cash and cash equivalents at the end of the year/period	55,946	69,765	88,921	48,480

We recorded net cash used in operating activities of approximately HK\$20.7 million for three months ended 31 March 2020, which was principally attributable to (i) an increase in accounts receivable of approximately HK\$43.1 million as a result of an increase in management and performance fee income; and (ii) the tax payment of HK\$11.1 million, partially offset by an increase in accruals and other payables of approximately HK\$18.4 million. Please refer to the section headed “Financial Information – Liquidity and capital resources – Cash flow” in this prospectus for further details. In order to enhance our operating cash flow position, we have taken and will continue to plan and monitor our cash flow situation on a regular basis to ensure the cashflow of our Group remains healthy; and going forward, we may negotiate payment terms with creditors such as capital introduction partners allowing our Group to have longer payment and settlement period when necessary.

Key financial ratios

The following table sets out certain of our key financial ratios as of the dates or for the periods indicated:

	Year ended/ as at 31 December		Three months ended/as at 31 March
	2018	2019	2020
Net profit/(loss) margin (%)	53.8	(47.4)	21.8
Current ratio	3.9	3.5	3.0
Quick ratio	3.9	3.5	3.0
Return/(loss) on equity (%)	78.8	(24.6)	11.4
Return/(loss) on total assets (%)	60.5	(18.9)	8.2

For further information, please see the section headed “Financial information – Key financial ratios” in this prospectus.

SUMMARY

We incurred a net profit margin of approximately 53.8% for the year ended 31 December 2018, a net loss margin of approximately 47.4% for the year ended 31 December 2019 and a net profit margin of approximately 21.8% for the three months ended 31 March 2020. Had the Listing expenses of approximately HK\$10.6 million for the three months ended 31 March 2020 been excluded, the net profit margin would have been 43.2%.

SUSTAINABILITY OF THE GROUP DURING PERIODS OF HIGH AND LOW VOLATILITY

The trading strategy adopted by us involves the monetisation of gains from larger opportunities presented at times when there is a spike in volatility (i.e. benefit from relative differences in the volatility in different markets during such periods) and the minimisation of transaction costs when markets are less active or volatile and thus presents less opportunities. Please refer to the sections headed “Business – Our investment approach” and “Relative value volatility strategy and illustration of trade process and execution” in this prospectus for further details. It is such negative correlation to market and performance during stress periods which makes investment in our funds and managed accounts particularly attractive for investors; for hedging and portfolio protection and as a strong diversifier as part of a portfolio of other fund types. The funds and managed accounts managed by us also generated annualised returns which out-performed other major volatility indices, meaning that effectively investors received returns rather than having to pay an “insurance” premium (as tend to be the case for most long volatility strategies). This has led to continued increase in the AUM of our Group over the years and new investment mandates from professional of financial institutions.

We generate revenue through charging clients management fees and performance fees. The amount of management fees generated by us has continued to increase over the years, and this corresponds to the continued increase in AUM of our Group. Please refer to “Business – Our investment approach” for a graph illustrating gross management fee and net management fee from 2015 to 2019. It’s the company policy to pay performance bonus to its staff from the Group’s realised performance fee income. For the three months ended 31 March 2020, the Group had net performance fee income of HK\$34.5 million and consequently HK\$10.3 million of performance bonus was accrued. Our net management fee income of approximately HK\$12.3 million alone for the three months ended 31 March 2020 was sufficient to cover our operating expenses of approximately HK\$12.2 million (including general and administration expenses and finance costs without taking into account the accrued performance bonus of HK\$10.3 million in relation to the net performance fee income of approximately HK\$34.5 million and any tax implications) during the same period.

The amount of performance fees our Group is entitled to charge, however, depends on the performance of funds which benefit from volatility market swings and spikes which are relatively unpredictable. Please see “Business – Our investment approach – Relative value strategies” for a graph illustrating the effect of volatility in equity markets on the performance of our Group’s funds vis-à-vis the Eurekahedge Hedge Fund Index (an index of over 2,000 constituent funds designed to provide a broad measure of performance of all underlying hedge fund managers irrespective of regional mandate). The True Partner Fund is a volatility fund with slightly negative correlation to equity markets, whilst the Eurekahedge Hedge Fund Index has historically had a positive correlation to equity markets. Recently, in Q1 2020, when the MSCI World Total Return Hedged USD index fell by 20%, the True Partner Fund experienced a +13.3% return whilst the hedge fund index experienced a negative return. In the second quarter of 2020, when the MSCI index rose by 19%, the hedge fund index experienced a positive return and True Partner Fund experienced a relatively smaller return of +0.1%. Overall, for the first six months of 2020, the True Partner Fund experienced a return of over 13%, whilst the hedge fund index incurred a negative return.

As the AUM of our Group has continued to grow significantly (even during periods of relatively low volatility such as in 2019), our Directors believe our Group would be able to charge sufficient management fees to sustain our ordinary operational expenses in the near future, even without taking into account performance fees which we would be entitled to charge from time to time arising from volatile markets. AUM growth of our Group is expected to be supported by a number of interrelated factors, namely:

- (i) **higher performance of our Group compared to our peers:** with our flagship fund having out-performed major volatility hedge fund indices in terms of net returns and alpha generation since inception up to 31 July 2020;
- (ii) **the power of our brand:** being recognised as one of the better known volatility fund management firms in the industry with the Listing expected to further enhance our visibility;
- (iii) **achievement of US\$1 billion milestone:** the AUM of our Group has achieved our own internal target milestone of US\$1 billion and AUM growth is expected to continue, which would open our products and enhance their marketability to a wider institutional capital base (including our Group’s proprietary investment in True Partner Fund in May 2018 and in March 2019 which represented 0.2% of our Group’s AUM as at 31 March 2020, as well as our executive Director and co-chief investment officer Tobias Benjamin Hekster’s investment in True Partner Volatility Fund (which represented 0.03% of our Group’s AUM as at 31 March 2020) in November 2016 shortly after the fund’s September 2016 launch and no further additional subscription thereafter);
- (iv) **enhanced sales and marketing:** through engagement of more sales and marketing activities involving the setting up of an office in London to tap into institutional capital and carrying out more direct engagement and liaison work with prospective investors;
- (v) **diversification of service offerings:** through the launch of new funds and managed accounts with a focus on different asset classes, those that are more geographically-focused and/or more tailored towards investors’ strategies;

SUMMARY

- (vi) **presence on platforms of professional of financial institutions and streamlined operational due diligence**: which expedites the allocation of assets of prospective investors as they trust the vigorous operational due diligence of the relevant platform providers;
- (vii) **co-investment into own funds**: we intend to co-invest in our own funds, which is generally viewed positively by investors as it demonstrates alignment of interests; and
- (viii) **UCITS funds**: our successfully launched IAM True Partner Volatility UCITS Fund and expected launch of new UCITS fund should give a wider investor base in Europe access to our trading strategy.

Sustainability of our Group would be further supported by the following factors:

- (i) **global nature of our trading strategy**: we are one of few volatility fund managers which adopts a trading strategy involving the trading of listed options (with short maturities) and futures globally; such global coverage of our trading strategy means that we tend to be able to monetise opportunities which arise from relative differences in the volatility in different markets (rather than from a single market), giving us a competitive advantage vis-à-vis our peers;
- (ii) **plans to internalise direct costs paid to capital introduction partners**: a material part of our expenses in the past has been paid to capital introduction partners, which was particularly important for us to reach out to prospective investors. As we have developed our reputation as a prominent player in the volatility space, we intend to internalise part of the expenses paid, reduce reliance on capital introduction partners and increase our direct engagements with investors; and
- (iii) **strengthening and enhancing our IT and execution capability**: we intend to devote resources from the net proceeds of the Share Offer to enhance our technology infrastructure including, increasing redundancies, development of automated trading features and adoption of artificial intelligence and machine learning to further enhance our analytical and execution capabilities.

REASONS FOR THE SHARE OFFER AND THE LISTING

While our Group is currently an active player in the volatility trading-based asset management industry, 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 above and in the section headed “Future plans and use of proceeds” in 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 funds, and increasing our competitiveness in the fund management industry, which may in turn assist us to secure more investors for our funds.

Further, our Directors believe that a Listing on the GEM would, without limitation, (i) enhance our corporate profile and brand image; (ii) enable our Group to access capital markets for the future growth of our business; and (iii) enhance the financial and operational transparency of our operations, thereby increasing the confidence of potential investors in the funds and managed accounts that we provide management services to.

FUTURE PLANS AND USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Share Offer (after deducing the estimated underwriting commission and other estimated expenses paid and payable by us in connection with the Share Offer), assuming an Offer Price of HK\$1.75 per Offer Share, being the mid-point of our indicative Offer Price range between HK\$1.55 and HK\$1.95 per Offer Share, will be approximately HK\$140 million (“**Net Proceeds**”), assuming that the Offer Size Adjustment Option is not exercised.

We currently intend to apply the Net Proceeds in the following manner:

- (i) approximately HK\$68.8 million (representing approximately 49.2% of the total estimated Net Proceeds) will be used for the expansion of our operations in Hong Kong, Amsterdam, London and Chicago including for the recruitment of new personnel, lease of new and/or additional office and related general operating expenses;
- (ii) approximately HK\$5.4 million (representing approximately 3.9% of the total estimated Net Proceeds) will be used for our plan to obtain an investment firm license from the AFM in the Netherlands;
- (iii) approximately HK\$22.3 million (representing approximately 15.9% of the total estimated Net Proceeds) will be used for enhancing our IT systems;
- (iv) approximately HK\$5.7 million (representing approximately 4.1% of the total estimated Net Proceeds) will be used for sales and marketing purposes;
- (v) approximately HK\$23.8 million (representing approximately 17.0% of the total estimated Net Proceeds) will be used for investing in funds managed by our Group; and
- (vi) approximately HK\$14.0 million (representing approximately 10.0% of the total estimated Net Proceeds) will be used for general working capital.

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

SUMMARY

Reason for proposed expansion of our Group's business

As explained above and further detailed in the “Future plans and use of proceeds” section of this prospectus, the use of proceeds from the Share Offer is instrumental to achieving the business objectives of our Group. As one of the key market players specialising in managing funds which adopt relative value volatility strategies, it is important for us to devote capital towards a feasible expansion plan to capitalise on opportunities now presented to us, and this involves not only expanding our workforce to manage the rapidly increasing (and future expected increase in) AUM of our flagship and other funds and managed accounts (especially as we continue to diversify our service offerings), but also to enhance our IT and global execution capabilities. This involves, without limitation, increasing redundancies across different markets in which we operate as well as enhancing quantitative research and analytical capabilities which will enhance the trading decision-making of our fund managers. This is particularly important in terms of our ability to perform in line with investors' expectations and in providing exceptional services to our clients, in particular in light of the fact that most of our direct competitors (as disclosed in the “Industry overview” section of this prospectus) currently manage a higher AUM and have a longer track record. The failure to compete may affect our Group's ability to maintain our market share and may adversely affect our business prospects and financial position.

DIVIDENDS

No dividends were declared and paid by the Company during the Track Record Period.

Any declaration of dividends following the Listing will be subject to the discretion of our Board and approval of our Shareholders and shall be made in accordance with the constitutional documents of our Company and applicable laws and regulations. Our Board may recommend the declaration of dividends in the future after taking into account, among others, our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and other factors which they may deem relevant at such time. Any historical declarations of dividends may or may not reflect any future recommendation of declaration of dividends and will be at the absolute discretion of our Directors.

Considering the financial position of our Company, our Board currently intends to recommend, subject to the approval of our Shareholders, the factors set out above and any other factors our Board may deem relevant, the declaration of a dividend of no less than 30% of our profits available for distribution generated for the year ending 31 December 2020. However, there is no assurance that dividends of such amount or any amount will be approved or distributed for the year ending 31 December 2020.

For further details, please see the section headed “Financial information – Dividends” in this prospectus.

SHARE OFFER STATISTICS

	Based on an Offer Price of		
	HK\$1.40 per Offer Share, after Downward Offer Price Adjustment of 10%	HK\$1.55 per Offer Share	HK\$1.95 per Offer Share
Market capitalisation of our Shares ⁽¹⁾	HK\$560 million	HK\$620 million	HK\$780 million
Offer size	HK\$140 million	HK\$155 million	HK\$195 million
Number of Offer Shares	100,000,000 Shares	100,000,000 Shares	100,000,000 Shares
Unaudited pro forma adjusted consolidated net tangible asset per Share ⁽²⁾	HK\$0.56	HK\$0.61	HK\$0.68

Notes:

- (1) The calculation of market capitalisation is based on 400,000,000 Shares expected to be in issue immediately following completion of the Capitalisation Issue and the Share Offer (assuming (i) no exercise of the Offer Size Adjustment Option, and (ii) no exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme).
- (2) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated after making the adjustments referred to in “Unaudited Pro Forma Financial Information” included in Appendix II to this prospectus and on the basis of a total of 400,000,000 Shares expected to be in issue at the Offer Price immediately following the completion of the Capitalisation Issue and the Share Offer (assuming (i) no exercise of the Offer Size Adjustment Option, and (ii) no exercise of any options which have been or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme).

SHAREHOLDER INFORMATION

There will be no Controlling Shareholders (as defined in the GEM Listing Rules) upon the Listing.

Immediately after completion of the Capitalisation Issue and the Share Offer (without taking account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which have been or may be granted under the Pre-IPO Share Option Scheme or the Share Option Scheme), our Company will be owned as to approximately 13.91% by our executive Director and co-chief investment officer Mr. Tobias

SUMMARY

Benjamin Hekster, 13.90% by our executive Director and co-chief investment officer Mr. Godefriedus Jelte Heijboer, 13.89% by our executive Director, chief executive officer and chairman Mr. Ralph Paul Johan Van Put indirectly, 6.92% by our executive Director and chief technology officer Mr. Roy Van Bakel indirectly, 2.99% by our senior portfolio manager Mr. Johan Marianus Cecil Cornelissen, 0.75% by our chief operating officer Mr. Remco Janssen, 1.49% by our head of research and development Mr. Thorsten Gragert, 1.12% by our head of investment solutions Mr. Robert John Kavanagh, 1.37% by Ms. Zhang Zhengji, the managing director of our subsidiary Chengdu HuLi Management Consulting Limited indirectly, 11.20% by Mr. Chan Heng Fai Ambrose indirectly, and 7.46% by Mr. Edo Bordoni. Please see the sections headed “History, reorganisation and corporate structure” and “Substantial Shareholders” in this prospectus for further information on our corporate and shareholding structure and Substantial Shareholders, respectively.

Our Company conditionally adopted the Pre-IPO Share Option Scheme on 13 February 2020 which shall become effective upon Listing. As of the Latest Practicable Date, options to subscribe for an aggregate of 8,997,804 Shares had been conditionally granted under the Pre-IPO Share Option Scheme by our Company and remained outstanding. Please see the section headed “Appendix IV – Statutory and General Information – D. Pre-IPO Share Option Scheme” in this prospectus for further information.

COMPETITIVE LANDSCAPE

There are relatively few large fund managers in the volatility strategies area and underlying businesses vary across firms. The most significant peers of our Group are privately held firms that do not publicly disclose the details of their investment/trading strategies and for the most part, their performance. We set out in the “Industry overview” section of this prospectus profiles of some of the firms which are considered peers of our Group which operate volatility strategies for reference. These firms, most of which have a history exceeding a decade or more, operate in different jurisdictions including Europe and the U.S. and have AUM with ranges up to US\$6.7 billion or more, although the amount of AUM for volatility related strategies is not immediately apparent from publicly available information.

LEGAL COMPLIANCE

We operate in a highly regulated industry and place a strong emphasis on internal controls and compliance. The principal regulatory bodies governing our Group’s business include the SFC and the SEC. Our Group’s businesses are subject to a range of legislation and regulations, as well as rules, codes and guidelines issued by these regulatory authorities. For further information, please see the section headed “Regulatory and licensing requirements” in this prospectus.

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

During the Track Record Period and up to the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation, claim or arbitration proceeding of material importance, and no litigation, claim or arbitration proceeding of material importance was known to our Directors to be pending or threatened against our Company or any of our subsidiaries which would have a material adverse and effect on our reputation, business, results of operations or financial conditions.

LISTING EXPENSES

Our Listing expenses mainly include underwriting commissions, and professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and the Share Offer. Without taking into account any discretionary incentive fee which may be payable by us in relation to the Share Offer, we expect to incur in aggregate approximately HK\$35.0 million in Listing expenses, representing approximately 20.0% of the total expected gross proceeds of the Share Offer of HK\$175 million (assuming an Offer Price of HK\$1.75 per Offer Share, based on the mid-point of our indicative Offer Price range of between HK\$1.55 to HK\$1.95 per Offer Share).

Of the estimated aggregate amount of Listing expenses, approximately HK\$15.2 million is expected to be accounted for as a deduction from equity upon the Listing. The remaining amount of approximately HK\$19.8 million is expected to be charged to our profit or loss, of which approximately HK\$7.5 million and HK\$10.6 million have been recognised in our or loss for the year ended 31 December 2019 and the three months ended 31 March 2020, respectively.

Our Directors are of the view that and potential investors should note that our financial results for the year ending 31 December 2020 are expected to be adversely affected by, among other things, our non-recurring estimated Listing expenses. As such, our financial performance for the year ending 31 December 2020 may not be comparable to our financial performance during the Track Record Period. In addition, our Directors would like to emphasise that the amount of our Listing expenses is a current estimate for reference only and the final amount to be recognised in our financial statements is subject to adjustment based on audit and the then changes in variables and assumptions, and as such, the actual amount may differ from this estimate.

IMPACT OF THE COVID-19 PANDEMIC ON OUR BUSINESS

In recent months, businesses in affected jurisdictions and global equities markets have been materially affected by the continued spread of the coronavirus (now known as COVID-19) with equity markets around the world suffering historical losses in Q1 2020.

SUMMARY

From an operational perspective, the coronavirus has had limited implications for our Group given: (i) stock exchanges around the world continue to operate; (ii) the measures adopted by our Group including implementing personal hygiene and isolation policies; (iii) the existing redundancies in terms of our trading and execution capabilities enable our Group to operate our single book portfolio across our offices in different time zones without disruptions; and (iv) the fact that our key personnel have the ability to work from home and access our trading systems through secure remote means. While certain investor relations activities involving physical meetings or conferences have been curtailed, or reduced to video conferences or virtual meetings, investor relationship work has remained effective and the alternative arrangements have had limited effect on our profitability to date. At present, we are using established platforms to hold webinars and are working on tech solutions (such as live conferencing tools and chat boxes).

In terms of fund performance, the heightened market fears stemming from the coronavirus have resulted in increased levels of volatility, leading to increased trading opportunities for our funds and managed accounts. Consistent with the historical performance of our funds and managed accounts which exhibit negative correlation to equity markets as well as strong downside capture (i.e. deliver high payoff during periods when equity markets experience large losses), we have recorded strong performance during Q1 2020 as illustrated in the table below:

	True Partner products			Volatility hedge fund indices			Equities
	True Partner Fund ⁽¹⁾	True Partner Volatility Fund ⁽¹⁾	IAM True Partner Volatility UCITS Fund ⁽²⁾	CBOE Eurekahedge Long Volatility	CBOE Eurekahedge Relative Value Volatility	CBOE Eurekahedge Short Volatility	MSCI World Total Return Hedged USD
Net returns	13.3%	18.1%	8.9%	31.8%	3.4%	-27.5%	-19.8%
Downside capture	-62%	-84%	-42%	-143%	-16%	144%	100%

Notes:

- (1) Represents the net returns of class B-1 shares (being the class of shares which is generally representative of the overall performance) of our Group's flagship True Partner Fund and True Partner Volatility Fund.
- (2) Represents the net returns of class I-1 USD shares, which is the currently open share class.
- (3) The performance of the managed accounts of our Group is expected to be close to *pari passu* with that of the True Partner Fund as they adopt trading strategies close to *pari passu* with that of the True Partner Fund.

The AUM of our Group also increased by approximately 20.7% from US\$1.138 billion as at 31 December 2019 to US\$1.373 billion as at 31 March 2020. For Q1 2020, our Group's revenue (net of fees) was approximately HK\$46.8 million, comprising net management fees of approximately HK\$12.3 million and net realised performance fees of approximately HK\$34.5 million. In accordance with applicable HKFRS, not included in Q1 2020 results were unrealised net performance fee for some of our funds and managed accounts which could only be realised pursuant to relevant investment mandates and booked over the period up to 31 December 2020, subject to performance fee increase/decrease as a result of the performance of relevant funds and managed accounts up to 31 December 2020.

Our Directors believe that a significant part of such unrealised performance fees will be realised and reflected in our financial results in the year ending 31 December 2020. Please see the section headed "Financial Information – Revenue – Description of selected items in consolidated statements of profit or loss and other comprehensive income – Performance fee income" in this prospectus for details of our Directors' views and a sensitivity analysis of the effect of hypothetical fluctuations in net returns of our Groups' funds and managed accounts on the amount of unrealised performance fees which may be charged by our Group under our investment mandates. Please also refer to the section headed "Risk Factors – Our unrealised performance fees for the six months ended 30 June 2020 may not be fully reflected in our results for the year ended 31 December 2020" in this prospectus in relation to risks relating to recognition of our unrealised performance fees.

Our Directors believe that the strong performance of our Group which resulted from severe market downturn caused by the COVID-19 pandemic following to a long equity bull market for the past ten years or so is expected to generate further investor demand for funds of our Group and deliver AUM growth for our Group in the future. Such belief is supported by the Industry Report, which observed that strong performing volatility focused managers tend to attract the focus of investors seeking to diversify in a market downturn after a long bull market (consistent with AUM inflows experienced by our Group in 2016 (with our AUM experiencing 195% growth) following market turmoil in 2015).

Effect of COVID-19 pandemic on our Group (worst-case scenario)

As explained above, the coronavirus has limited implications on our Group from an operational perspective. Short of an extreme situation where investors withdraw investments from financial markets, our Directors believe that the most pertinent adverse impact on our Group that may be caused by prolonged effects of the COVID-19 pandemic would be the inability, or impaired ability, of our Group in attracting additional capital into our funds (due to the inability of certain prospective investors to conduct onsite due diligence or for other reasons). In such extreme worst-case scenario, our Directors estimate that our Group's existing financial resources (including existing cash and cash equivalents and receivables) as at 31 July 2020 (being our latest management account date) would be sufficient

SUMMARY

to maintain our Group's financial viability for approximately 19 months from August 2020 without utilising any net proceeds from the Share Offer in settling our estimated monthly fixed costs (including office leases, staff costs etc.) and other outstanding accruals and payables. For more information, including key assumptions used, please refer to "Financial information – Overview – Worst-case scenario of the impact of COVID-19 on our Group".

RECENT DEVELOPMENTS

Our AUM amounted to approximately US\$1.579 billion as at 31 August 2020.

Subsequent to the Track Record Period and up to the date of the Prospectus, we have continued to focus on developing our investment management 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 or prospects since 31 March 2020 and no event had occurred since 31 March 2020 which would materially affect the information shown in our financial information included in the Accountants' Report set out in Appendix IA to this prospectus.

Unaudited financial information for the three months ended 30 June 2020

Income from fund management business: Our net fee income from our fund management business for the three months ended 30 June 2020 increased by approximately HK\$11.7 million (or approximately 135%) as compared to approximately HK\$8.7 million for the same period in 2019. Approximately HK\$13.2 million (or 64.8%) of our net fee income for the three months ended 30 June 2020 was derived from net management fees while approximately HK\$7.2 million (or 35.2%) was derived from net performance fees. We did not generate any performance fee income during the corresponding period in 2019. The significant increase in net performance fee income was mainly due to the positive performance of our funds and managed accounts under management during a more volatile market environment since Q1 2020 as result of the COVID-19 outbreak. Our increase in net management fees was mainly due to the increase in our AUM from US\$737 million on 31 March 2019 to US\$1.373 billion on 31 March 2020. As at 30 June 2020, our AUM slightly decreased to approximately US\$1.357 billion mainly due to partial redemption by some investors. Our AUM further increased to approximately US\$1.389 billion as at 31 July 2020 and amounted to approximately US\$1.579 billion as at 31 August 2020.

Comparison of financial results for the first quarter and second quarter of 2020

The unaudited condensed consolidated results of our Group for the three months ended 30 June 2020, together with the audited results for the three months ended 31 March 2020, are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the three months ended	
	31 March 2020	30 June 2020
	(HK\$'000)	(HK\$'000)
	(Audited)	(Unaudited)
Revenue	49,598	23,489
Other income	55	1
Direct costs	(2,794)	(2,583)
Fair value gain on financial assets at fair value through profit or loss	2,392	16
General and administrative expenses	(22,500)	(14,315)
Listing expense	(10,598)	(970)
Finance costs	(37)	(32)
Share of result of associates	—	(51)
Profit/(loss) before income tax	16,116	5,555
Income tax expense	(5,284)	(3,211)
Profit/(loss) for the period	10,832	2,344

SUMMARY

The net fee income from our fund management business for the three months ended 30 June 2020 decreased by approximately HK\$20.4 million (or approximately 56%) as compared to approximately HK\$46.8 million for the three months ended 31 March 2020. Approximately HK\$13.2 million (or 64.8%) of our net fee income for the three months ended 30 June 2020 was derived from net management fees while approximately HK\$7.1 million (or 35.2%) was derived from net performance fees as compared with approximately HK\$12.3 million (or 26.3%) derived from net management fees and HK\$34.5 million (or 73.7%) derived from net performance fees for the three months ended 31 March 2020. The net performance fee income in Q2 2020 was mainly due to the crystallisation of performance fees arising from positive returns in Q1 2020 on redemption. On the other hand, the decrease from Q1 2020 was mainly due to the relatively lower performance of our funds under management during Q2 2020, which experienced declining volatility compared with the highly volatile market environment in March of Q1 2020 resulting from the COVID-19 outbreak.

The increase in net management fees was mainly due to the fact that the average AUM during Q2 2020 was slightly higher (by 3.6%) as compared with the average AUM during Q1 2020 notwithstanding the slight decrease of 1.7% in our AUM from US\$1.373 billion on 31 March 2020 to US\$1.357 billion on 30 June 2020.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 March 2020	As at 30 June 2020
	(HK\$'000)	(HK\$'000)
	(Audited)	(Unaudited)
Non-current assets	28,321	30,979
Current assets	103,515	97,910
Current liabilities	34,767	30,028
Net current assets	68,748	67,882
Non-current liability	1,707	1,286
Net assets	95,362	97,575

CASH FLOWS

	For the three months ended 31 March 2020	30 June 2020
	(HK\$'000)	(HK\$'000)
		(Unaudited)
Net cash generated from/(used in) operating activities	(20,732)	35,379
Net cash used in investing activities	(106)	(3,395)
Net cash used in financing activities	(437)	(436)
Net (decrease)/increase in cash and cash equivalents	(21,275)	31,548
Cash and cash equivalents at beginning of the period	69,765	48,480
Effect on foreign exchange rates changes	(10)	(54)
Cash and cash equivalents at end of the period	48,480	79,974

Please see the section headed “Financial Information” in this prospectus for discussion of financial results for the first quarter and second quarter of 2020.

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 prepared by the Reporting Accountants for the Track Record Period set out in Appendix IA of this prospectus
“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFM”	Dutch Authority for the Financial Markets (Autoriteit Financiële Markten)
“Articles” or “Articles of Association”	the amended and restated articles of association of the Company (as amended from time to time), conditionally adopted on 22 September 2020 with effect from the Listing Date, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Audit Committee”	a committee of the Board established by the Board for the purpose of overseeing the accounting and financial reporting processes of our Company and audits of the financial statements of our Company
“Banking Ordinance”	the Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Board” or “Board of Directors”	the board of Directors
“Business Day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business to the public
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the allotment and issue of 299,781,780 Shares to be made upon the capitalisation of part of the sum standing to the credit of the share premium account of our Company referred to in the section headed “Statutory and General Information” in Appendix IV to this prospectus

DEFINITIONS

“Capital Futures Corp.”	Capital Futures Corp., a company listed on the Taiwan Stock Exchange (stock code: 6024.TW) and a subsidiary of CSC (i.e. a part of the Capital Group). Capital Futures Corp. primarily provides domestic futures clearing and settlement services, domestic/foreign futures brokerage services, securities investment banking services, futures consultancy services, leveraged trading as well as engaged in derivative product development. Capital Futures Corp. was the largest client of our consultancy services over the Track Record Period
“Capital Group”	collectively, CSC and certain of its subsidiaries
“Cayman Companies Law” or “Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS EIPO”	the application for the 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 through causing HKSCC Nominees to apply on your behalf, including by (i) instructing 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, or (ii) if you are an existing CCASS Investor Participant, giving electronic application instructions through the CCASS Internet System (https://ip.ccass.com) or through the CCASS Phone System (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 CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request
“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

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CEO”	chief executive officer
“CFTC”	Commodity Futures Trading Commission of the United States
“China”, “Mainland China” or “the PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Code of Conduct”	the Code of Conduct for Persons Licensed by or Registered with the SFC issued by the SFC, 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, as amended, supplemented and/or otherwise modified from time to time
“Company” or “our Company”	True Partner Capital Holding Limited, an exempted company incorporated in the Cayman Islands with limited liability on 23 November 2018, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company thereof, the Company’s present subsidiaries
“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
“connected person(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“connected transaction(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“core connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Cornerstone Investment Agreement”	the cornerstone investment agreement dated 25 September 2020 and entered into between the Company, Alliance Capital Partners Limited, and Dasym Managed Accounts B.V., as described in the section headed “The Cornerstone Placing” in this prospectus
“CSC”	Capital Securities Corporation, a company listed on the Taiwan Stock Exchange (stock code: 6005.TW)

DEFINITIONS

“CSC Futures”	CSC Futures (HK) Limited, an indirect subsidiary of CSC and a corporation licensed by the SFC to carry out regulated activities. CSC Futures was the third largest investor in funds and managed accounts managed by us in terms of contribution to our revenue from the provision of fund management services in the financial year ended 31 December 2018
“Director(s)”	the director(s) of the Company
“Downward Offer Price Adjustment”	an adjustment that has the effect of setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range
“EU”	the European Union, a political and economic union of 27 member states that are located primarily in Europe
“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
“FRR”	the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules” or “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 the HK eIPO White Form Service Provider
“Group”, “our Group”, “we”, 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
“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
“HK eIPO White Form”	the application for the Hong Kong Offer Shares to be issued in applicant’s own name by submitting applications online through the IPO App or the designated website at www.hkeipo.hk

DEFINITIONS

“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified in the IPO App or on the designated website at www.hkeipo.hk
“HKFRS”	Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“HK Sub-Manager”	True Partner Advisor Hong Kong Limited, a company incorporated in Hong Kong on 31 May 2010 and licensed by the SFC to carry on type 9 (asset management) regulated activity under the SFO
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars”, “HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Stock Exchange”, “Stock Exchange” or “HKEx”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Accounting Standards, International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the GEM Listing Rules) with any directors, chief executive or substantial shareholders (within the meaning of the GEM Listing Rules) of us, our subsidiaries or any of their respective associates
“Industry Expert”	Mr. Christophe Campana, the industry expert commissioned by us to prepare the Industry Report, and a hedge fund industry analyst and Independent Third Party
“Industry Report”	the industry report commissioned by us and prepared by the Industry Expert, in relation to the industry of our Group. Information contained in the section “Industry Overview” is derived from this Industry Report
“Investment Manager”	True Partner Advisor Limited, a company incorporated in the Cayman Islands on 5 May 2010 and licensed by the CFTC as a commodity pool operator

DEFINITIONS

“IPO App”	the mobile application for HK eIPO White Form service which can be downloaded by searching “ IPO App ” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp
“Joint Bookrunners”	the joint bookrunners as named in the section headed “Directors and parties involved in the Share Offer” of this prospectus
“Joint Lead Managers”	the joint lead managers as named in the section headed “Directors and parties involved in the Share Offer” of this prospectus
“Latest Practicable Date”	Monday, 21 September 2020, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing and commencement of dealing of the Shares on the GEM
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date on which our Shares are listed and from which dealings in our Shares shall first commence on the Stock Exchange, which is expected to be on Friday, 16 October 2020
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 22 September 2020 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
“Offer Price”	the final price for each Offer Share in Hong Kong dollars (exclusive of brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable thereon) at which the Offer Shares are to be subscribed pursuant to the Share Offer, which shall be not more than HK\$1.95 per Offer Share and is expected to be not less than HK\$1.55 per Offer Share, the final price per Offer Share shall be determined on the Price Determination Date in the manner set out in the section headed “Structure of the Share Offer” in this prospectus, subject to any Downward Offer Price Adjustment
“Offer Share(s)”	collectively, the Public Offer Shares and the Placing Shares

DEFINITIONS

“Offer Size Adjustment Option”	the option granted by our Company to the Placing Underwriters, exercisable by the Joint Bookrunners, (for themselves and on behalf of the Placing Underwriters,) at its sole and absolute discretion, pursuant to which our Company may be required to allot and issue up to 15,000,000 additional new Offer Shares, representing 15% of the Offer Shares initially available under the Share Offer, at the Offer Price, to cover any over-allocation (if any) in the Placing, subject to the terms of the Placing Underwriting Agreement
“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 of the Share Offer” in this prospectus
“Placing Shares”	the 90,000,000 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
“Placing Underwriter(s)”	the underwriter(s) of the Placing named in the section headed “Underwriting – Underwriters – Placing Underwriters” in this prospectus that is expected to enter into the Placing Underwriting Agreement to underwrite subscription of the Placing Shares
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing expected to be entered into by, among others, our Company, the Substantial Shareholders, the executive Directors, the Sole Sponsor and the Placing Underwriters as further described in the section headed “Underwriting – Underwriting arrangements and expenses – The Placing Underwriting Agreement” in this prospectus
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by our Company on 13 February 2020, the principal terms of which are summarised under the section headed “Statutory and General Information - D. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Bookrunners, (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 Friday, 9 October 2020, or such latest date as the Joint Bookrunners, (for themselves and on behalf of the Underwriters) and our Company may agree but in any event no later than Saturday, 10 October 2020, on which the Offer Price will be fixed for the purpose of the Share Offer

DEFINITIONS

“Professional Investor Rules”	Securities and Futures (Professional Investor) Rules (Chapter 571D of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“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 of the Share Offer” in this prospectus) and on and subject to the terms and conditions stated herein
“Public Offer Shares”	the 10,000,000 newly issued Shares initially 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 of the Share Offer” in this prospectus
“Public Offer Underwriter(s)”	the underwriter(s) of the Public Offer named in the section headed “Underwriting – Underwriters – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 29 September 2020 relating to the Public Offer entered into by, among others, our Company, the Substantial Shareholders, the executive Directors, the Sole Sponsor and the Public Offer Underwriters, as further described in the section headed “Underwriting – Underwriting arrangements and expenses – The Public Offer Underwriting Agreement” in this prospectus
“Q1 2019”	the first quarter of 2019 (i.e. the three months ended 31 March 2019)
“Q1 2020”	the first quarter of 2020 (i.e. the three months ended 31 March 2020)
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	a committee of the Board established by the Board to discharge the Board’s responsibilities relating to the remuneration of Directors and executive officers of our Company
“Reorganisation”	the reorganisation of the group of companies now comprising our Group conducted in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and corporate structure” of this prospectus
“Reporting Accountants”	PKF Hong Kong Limited, the auditors and reporting accountants of the Company

DEFINITIONS

“RMB”	Renminbi yuan, the lawful currency of the PRC
“SEC”	the Securities and Exchange Commission of the United States
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Shareholder” or “Shareholders”	the registered holders of our Shares from time to time
“Shares” or “Share”	ordinary shares of HK\$0.01 each in the capital of the Company
“Share Offer”	collectively, the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 22 September 2020, the principal terms of which are summarised in the paragraph headed “E. Share Option Scheme” in Appendix IV to this prospectus
“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 in connection with the Share Offer
“subsidiary(ies)”	has the meaning ascribed to it under the GEM Listing Rules, unless the context otherwise requires
“Sub-Managers”	collectively, the HK Sub-Manager and the U.S. Sub-Manager
“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
“Track Record Period”	the financial period comprising the two financial years of our Group ended 31 December 2019 and the three months ended 31 March 2020

DEFINITIONS

“True Partner Fund”	a master-feeder fund structure comprising of True Partner Fund (the master fund), True Partner Offshore Fund (the offshore fund) and True Partner Onshore Fund, LP (the onshore fund) since August 2019, and formerly a structure comprising of a stand-alone fund True Partner Fund, as further described in the section headed “Business – Our funds under management – Our funds” in this prospectus
“True Partner Volatility Fund”	a master-feeder fund structure comprising True Partner Volatility Master Fund (the master fund), True Partner Volatility Fund (the offshore fund) and True Partner Volatility U.S. Fund, LP (the onshore fund), as further described in the section headed “Business – Our funds under management – Our funds” in this prospectus
“UCITS”	Undertaking for Collective Investment in Transferable Securities
“UCITS Directive”	European Parliament and Council Directive 2009/65/EC of 13 July 2009 on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities as may be amended from time to time
“Underwriters”	collectively, the Public Offer Underwriters and the Placing Underwriters
“Underwriting Agreements”	collectively, the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “U.S.”	the United States of America
“US dollars”, “USD” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933 (as amended from time to time)
“U.S. Sub-Manager”	True Partner Capital USA Holding, Inc., a company incorporated in Delaware on 3 February 2016 and licensed by the SEC as a registered investment advisor
“Withdrawal Mechanism”	a mechanism which requires our Company, among other things, to (a) issue a supplemental prospectus as a result of material changes in the information (such as the Offer Price) in the prospectus; (b) extend the offer period and to allow potential investors, if they so desire, to confirm their applications using an opt-in approach i.e. requiring investors to positively confirm their applications for Shares despite the change

DEFINITIONS

“%”

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.

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 Pre-IPO Share Option Scheme and the Share Option Scheme.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains terms used in this prospectus as they relate to our business. As such, these terms and their meanings may not always correspond to standard industry meaning or usage of these terms.

“24/5 trading”	round-the-clock monitoring and trading of securities and derivatives carried out by portfolio managers who are situated in the Hong Kong and Chicago trading offices of our Group (trading under one global book, as a team, which is passed from one trading office to the other trading office) during trading hours across global markets in different time zones. This means that there are one or more portfolio managers of our Group monitoring relevant global markets which are open for trading at any given time. We operate at material times when global markets are open, which is generally 22 hours (which may vary with daylight saving) five days a week
“active trading strategy”	refers, in the context of our Group, to our active approach to trading which involves 24/5 continuous monitoring of the equity markets globally (with trade positions established by the trading of options (with intra-day hedging of market exposures) which are conducted manually by our team of portfolio managers and co-chief investments officers). We conduct, on average, approximately 3,000 trades per day, and this is possible due to our 24/5 capability, the market making background of our experienced team of portfolio managers and co-chief investment officers as well as the support of analytical tools and automated opportunity detection and monitoring features inbuilt into our proprietary technology platform which enables us to carry out a relatively high number of trades in a systematic and sophisticated manner
“ADR”	American depositary receipt, a negotiable security that represents securities of a company that trades in the U.S. financial markets
“alpha”	the return of an investment in excess of that derived from its exposure to a specific benchmark (commonly, the MSCI World Index or the S&P Index) or in excess of its exposure of easily accessible return factors. The term “alpha” when used in this prospectus refers to annualised excess return relative to the MSCI World Total Return Hedged USD index
“AML”	anti-money laundering, a set of laws, regulations and procedures intended to prevent criminals from disguising illegally obtained funds as legitimate income
“AUM”	assets under management by a fund manager as measured by the contributed capital taking into account the effect of any leverage on the amount of contributed capital

GLOSSARY OF TECHNICAL TERMS

“average level of volatility”	in respect of a specified period of time, refers to the average of month-end 20 day realised volatility levels of that period (which are typically quoted by financial data vendors such as Bloomberg). The 20-day realised volatility itself involves the standard deviation of the daily returns in percentage terms of the 20 trading days of the relevant month, typically expressed in an annualised number
“broker” or “stock broker”	a prime broker or a broker-dealer
“broker-dealer”	an execution broker licensed to carry out dealing in securities engaged by our Group to execute trade orders. These brokers are primarily engaged by our Group for back-up purposes, as trades are generally executed through prime brokers
“CBOE Eurekahedge Long Volatility Index”	an equally weighted index of ten constituent funds. This index is designed to provide a broad measure of the performance of underlying hedge fund managers who take a net long view on implied volatility with a goal of positive absolute return. This index is a collaborative index between Eurekahedge and the Chicago Board Options Exchange and is one of the most commonly used indices used to assess such volatility strategy
“CBOE Eurekahedge Relative Value Volatility Index”	an equally weighted index of 15 constituent funds. This index is designed to provide a broad measure of the performance of underlying hedge fund managers that trade relative value or opportunistic volatility strategies. Managers utilising the strategy can pursue long, short or neutral views on volatility with a goal of positive absolute return. This index is a collaborative index between Eurekahedge and the Chicago Board Options Exchange and is one of the most commonly used indices used to assess such volatility strategy
“CBOE Eurekahedge Tail Risk Index”	an equally weighted index of eight constituent funds. This index is designed to provide a broad measure of the performance of underlying hedge fund managers that specifically seek to achieve capital appreciation during periods of extreme market stress. This index is a collaborative index between Euerkahedge and the Chicago Board Options Exchange and is one of the most commonly used indices used to assess such volatility strategy
“CBOE Eurekahedge Short Volatility Index”	an equally weighted index of five constituent funds. This index is designed to provide a broad measure of the performance of underlying hedge fund managers who take a net short view on implied volatility with a goal of positive absolute return. The strategy often involves the selling of options to take advantage of the discrepancies in current implied volatility versus expectations of subsequent implied or realised volatility. This index is a collaborative index between Eurekahedge and the Chicago Board Options Exchange and is one of the most commonly used indices used to assess such volatility strategy

GLOSSARY OF TECHNICAL TERMS

“CFT”	counter-financing of terrorism, referring to the provision of funds or providing financial support to individual terrorists or non-state actions
“collective investment undertaking”	an undertaking which raises capital from a number of investors, with a view to investing it in accordance with a defined investment policy for the benefit of those investors
“delta”	the ratio of the change in price of an option to the change in price of the underlying asset
“delta hedging”	an options trading strategy that aims to reduce the risk associated with the change in price in the underlying asset
“downside capture”	the average return of the fund/index when MSCI World Index (MSCI) is down/average MSCI return when MSCI is down. It is calculated by taking the fund’s monthly return during months when the MSCI benchmark had a negative return and dividing it by such MSCI return during the same months. If a fund generates positive returns while the MSCI declines, the fund’s downside capture ratio will be negative (meaning it has moved in the opposite direction of the MSCI benchmark)
“ETF”	exchange-traded fund, an investment fund traded on stock exchanges
“Gamma”	a mathematical measurement of how fast the delta of an option changes for each unit of change in the price of the underlying asset
“Greek”	encompasses different price sensitivity variables including delta, Gamma and Vega
“high watermark”	the highest value of NAV which the relevant class and series of shares of a fund or managed account has reached, and is generally calculated as the greater of (i) the NAV per share applicable at the time of issue of that relevant class and series; and (ii) the highest NAV per share in respect of which a performance fee has been paid at the end of previous calculation period (which is typically the end of a quarter or the end of a financial year, depending on the terms of the relevant investment mandate) during which that relevant class and series was in issue
“implied volatility”	the market’s forecast of a likely movement in a security’s price, and is a metric used by investors to estimate future fluctuations (volatility) of a security’s price. It is commonly expressed using percentages and standard deviations over a specified time horizon. Implied volatility is often used to price options contracts, where high implied volatility results in options with higher premiums, and vice versa

GLOSSARY OF TECHNICAL TERMS

“increased market volatility”	an increase in the level of volatility within a defined period of time. For example, if the Hang Seng Index fluctuated by 1% in one day, and by 5% in the next, it is considered that volatility in the equity market in Hong Kong has increased. This is a relative concept
“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
“management fee(s)”	management fees our Investment Manager and/or Sub-Managers are entitled to charge for the provision of investment management services pursuant to investment management agreements, as further described in the section headed “Business – Investment management – Our investment management fees” in this prospectus
“market dislocation”	generally refers to circumstances in which financial markets cease to price assets correctly in an absolute or relative basis due to the effect of various real-world economic conditions, factors (such as interest rate movements, changes in general economic and political conditions) or specific events (such as the COVID-19 outbreak, or the publication of price-sensitive financial condition or results), and/or evolving market expectations and speculation of market participants. When this occurs, the market could not efficiently price relevant financial instruments, and this may result in what a market participant may perceive as overpriced or undervalued financial instruments (such as options)
“market participants”	generally refer to investors and entities which trade exchange traded listed options and, on the basis of their risk appetite and trading approach, they may include (i) hedgers, who holds underlying assets like stocks of an option and are participating in the market to manage risks relating to price movement of the underlying asset (for example, to offset losses that may arise due to adverse movement in stock prices); (ii) speculators, who wish to make a profit by taking a view on future direction of price movement of an underlying asset; and (iii) arbitrageurs, who trade in options to earn a profit by taking multiple positions in the market so as to create relatively riskless scenarios. Typical market participants may include, without limitation, option traders (including retail and proprietary traders), hedge funds, portfolio managers, financial institutions and intermediaries, and public and non-public corporates
“MSCI World Total Return Hedged USD” or “MSCI”	MSCI World Index is a market cap weighted stock market index of 1,601 stocks from companies from developed markets throughout the world and is used as a common benchmark intended to represent a broad cross-section of global equity markets. The MSCI World Total Return Hedged USD represents a close estimation of the performance that can be achieved by hedging the currency exposures of its parent index, the MSCI World Index, to the USD, the “home” currency for most True Partner investors and for the True Partner share classes shown

GLOSSARY OF TECHNICAL TERMS

“net return”	in respect of a fund, means the return of investment in a fund net of all fees and expenses (i.e. what the investor actually receive in return from its investment) which is typically calculated and reported by third party administrators engaged by the fund
“overlay strategies”	investment strategies adopted by hedge fund managers that use derivative instruments such as futures and options to manage overall risk of an actual underlying asset portfolio
“performance fee(s)”	performance fees our Investment Manager and/or Sub-Manager are entitled to charge pursuant to investment management agreements entered into by them, as further described in the section headed “Business – Investment management – Our investment management fees” in this prospectus
“prime broker”	an execution broker which also offers a bundle of consolidating custodian and financial services including, without limitation, the provision of credit and securities lending facilities
“realised volatility”	actual market movement that occurs in respect of a given underlying stock or index over a defined past period
“redundancies”	in respect of the Group’s operations, means to have spare capacity across relevant business operations for the purpose of minimising the risk of business disruptions. In respect of our IT trading facilities, this means having sufficient spare capacity (such as servers and data centres) such that trading would not be affected in the event specific part(s) of our IT system or infrastructure is compromised. In respect of trading personnel, this means having sufficient personnel to operate in offices across different time zones to ensure continued monitoring of global markets on a 24/5 basis, such that temporary disruption to or closure of an office (due to unforeseen events or otherwise) will not affect the effectiveness of our trading strategy
“regulated activities”	the regulated activities defined in Part 1 under Schedule 5 of the SFO, and a reference to a type of regulated activity by number shall be construed as a reference to the type of regulated activity of that number specified in that Part
“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 to which he or she is accredited
“selling option contracts”	either (i) the entering into of an exchange traded option contract which grants the buyer the right to buy or sell the underlying assets (stock/index) at a predetermined price prior to expiry of that option (also referred to as “writing” an option contract); or (ii) trading or disposing of an existing exchange-traded option contract which has been previously purchased (i.e. reducing an existing long position in the relevant option contract)

GLOSSARY OF TECHNICAL TERMS

“standard deviation”	a measure of the amount of variation or dispersion of a set of values to its mean. A low standard deviation indicates that the values tend to be close to the mean of the set, while a high standard deviation indicates that the values are spread out over a wider range
“shadow NAV”	the NAV calculated to confirm the NAV calculated by the administrator
“NAV”	net asset value, being the value of the assets less the value of liabilities (without taking into account the effect of any leverage on the amount of contributed capital), of the fund or managed account
“NFA”	National Futures Association, a self-regulatory organisation in the U.S. derivatives industry, including on exchange traded futures
“S&P 500”	a stock market index that measures the performance of 500 large companies listed on stock exchanges in the United States, covering approximately 80% of available market capitalisation
“Vega”	the measurement of an option’s price sensitivity to changes in the volatility of the underlying asset
“VIX Index”	an index aimed at measuring constant, 30-day volatility of the U.S. stock market, based on real-time mid-quote prices of S&P 500® Index call and put options
“volatility”	a statistical measure of price fluctuations of securities or a market index (i.e. the level of rise and fall of securities or market index over a sustained period of time). For example, with the Hang Seng Index (a market capitalisation-weighted stock market index used to record and monitor daily changes of the largest companies of the Hong Kong stock market and is the main indicator of overall equity market performance in Hong Kong) moving on average 1% per day, a sudden daily drop of 5% may be considered to be high volatility in the equity market in Hong Kong and a daily move of only 0.5% would be considered to be low volatility in the equity market in Hong Kong
“Volmageddon”	a disorderly unwinding of over-exposed funds (i.e. those which had accumulated large volatility short positions (or sold significant numbers of options) thus making them vulnerable to sudden market shocks) by buying back the options contracts they had sold, following an extended period of market calmness that resulted in sizable volatility spread opportunities that occurred in February 2018. Please refer to the section headed “Relative value volatility strategy and illustration of trade process and execution” in this prospectus for further details

FORWARD-LOOKING STATEMENTS

This prospectus includes forward-looking statements that are, by their nature, subject to significant rules 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 United States, the E.U. (including, the Netherlands), the United Kingdom 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 United States and other relevant jurisdictions in which we have or intend to have business operations
- macroeconomic measures taken by governments of Hong Kong, the United States, within the E.U. (including the Netherlands), the United Kingdom and other relevant jurisdictions in which we operate 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 Substantial Shareholders, the Sole Sponsor, the Joint Bookrunners, 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.

Our Company is subject to the principal risks described below.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

We are a growing business with a limited number of products and investors (who do not have a long business relationship with our Group) and our business and prospects may be materially and adversely affected by the withdrawal of investments by providing short prior notice due to loss in confidence in our trading strategy or otherwise, or the departure of senior management and key personnel whom we materially rely on to grow our business. The business nature of our Group during this growth stage as we continue to mature may be considered to be relatively high risk

We are a growing business with a trading strategy that has attracted material investments to our funds and managed accounts under prevailing equity market environments in recent years. Our current portfolio under management (with a total AUM of approximately US\$1.579 billion as at 31 August 2020) consists of a relatively small portfolio comprising our two flagship funds, the True Partner Fund and the True Partner Volatility Fund (the latter of which was only launched in 2016), one co-branded fund (namely the IAM True Partner Volatility UCITS Fund, which was only launched in 2019 but the AUM of which has grown at a rapid pace since its launch given its attractiveness and accessibility for European based institutional and retail investors) and two managed accounts (the investment mandates of which were only entered in June 2018 and January 2019 respectively). Other than the True Partner Fund which was launched in 2011, our other funds and managed accounts have a relatively short track record and history, most of which (and most of our corresponding AUM) were attributed to new investments made by investors during the Track Record Period.

Our ability to launch new products and grow our AUM is highly reliant on several crucial factors including, *inter alia*, the continued effectiveness of our trading strategy in generating value for our investors during periods of relatively high volatility in the equity markets and the continued assessment of asset allocators as to the effectiveness of investing in our trading strategy for the purpose of risk diversification whilst generating positive yield. There is no assurance that our trading strategy would be considered favourably vis-à-vis other trading or investment strategies offered by our direct competitors in the volatility space, or in the hedge fund industry in general, and as only a small portion of funds invested in our funds (only approximately 4.3% of our AUM) are subject to a lock-up period, we rely on few investors and most of our investors (including the larger institutional investors which offer our products on their investment platforms and enhance the accessibility of our products to a wider span of professional investors, two of whom accounted for 48% of our revenue for the year ended 31 December 2020) may redeem their investments with us at any time by providing short prior notice (generally 20 business days or less prior notice, with some investors entitled to redeem their investments by giving as short as one to three days' prior notice, despite this being within the industry norm). **Investors should be aware that this effectively means that where the abovementioned institutional investors determine to redeem their entire investment in our Group by giving prior notice of as short as or less, our revenue may be materially reduced by approximately half or more (subject to the amount of their investment at the time of redemption).** We do not have control over such redemption decisions of our investors, and their decision may not necessarily result from the fund performance of our funds or managed accounts, and may purely be due to change of strategy or control of asset allocators or otherwise.

RISK FACTORS

Given the relatively short track record of most of our funds, we rely on few investors and most of our investors do not have a long business relationship with our Group with the relationship of one of our top investors as at 31 March 2020 as short as one and half years. Further, during our Track Record Period, CSC Futures, our third largest investor by contribution to our fund management business revenue in 2018 (being the sole investor in Managed Account C and co-branded fund A) terminated their investment management engagements with us. An exodus of investments in our funds and managed accounts for the aforementioned reasons or otherwise may cause our AUM to be reduced significantly, which may consequently cause our other existing investors (and prospective investors contemplating an investment) to lose confidence in our trading strategy and possibly further redemptions in investment (or reduction in new subscriptions) in our funds and managed accounts. As such, whilst our AUM has grown significantly in recent years due to a limited number yet substantive investments from some significant and reputable investor groups (which also facilitate further investments from prospective investors through making our products available in investment platforms) spurred by our funds' positive track record as well as our ability to generate interest from European investors through our launch of our UCITS fund, there is no guarantee that such trend will continue in the future.

Where our trading strategy may be deemed to be ineffective, for example, in terms of inability to record downside capture when the equity markets are in turmoil, then our business prospects may be materially and adversely affected. In particular, a reduction in our AUM due to the withdrawal of investments would effectively mean that the amount of management fees which we would be entitled to charge our investors would be correspondingly reduced, and the effects of such reduced income on our sustainability may be exacerbated by the fact that (i) during periods of relatively low volatility in the equity markets, typically we would be entitled to low or no performance fee, and we may need to rely on retained earnings and invested capital to cover our relatively fixed costs and expenses in our operations such as staff costs, rental expenses and other general and administrative expenses; and (ii) as disclosed in the section "Future plans and use of proceeds" in this prospectus, we intend to make material capital and other expenditures in the near future.

Further, our current operations are relatively small in size and we depend materially on certain of our key personnel (including our two co-chief investment officers, Mr. Tobias Benjamin Hekster and Mr. Godefriedus Jelte Heijboer) for executing our trading strategy on a 24/5 basis across our global offices, maintaining and developing our IT infrastructure and technology, carrying out investor relations activities as well as other operational and administrative tasks. As a growing and evolving business, our historical remuneration during the Track Record Period may not be competitive in retaining key personnel, especially as their responsibilities increase with the continued growth of our business, yet our success in meet our business objectives will depend materially on our ability to continue to retain such key personnel. Any departure of our senior management and key personnel may materially and adversely disrupt our business and growth.

Our revenue decreased between 2018 and 2019 and we suffered a net loss after tax for the year ended 31 December 2019. There is no assurance that our revenue and net profit or loss after tax position will not materially deteriorate in the future

Our revenue is materially impacted by the level of the performance fees we receive. There can be no assurance that market conditions will be such as will enable us to deploy our strategies to create gains which will result in the generation of performance fees or, if such market conditions persist, that we could effectively deploy such strategies.

Our revenue decreased from approximately HK\$158.2 million for the year ended 31 December 2018 to approximately HK\$44.5 million for the year ended 31 December 2019, representing a decrease of approximately HK\$113.7 million or 71.9%. This decrease was primarily attributable to (i) the decrease in revenue from performance fees in 2019 due to low fund performance in 2019 as compared to 2018 which we attribute to the occurrence of reduced market volatility in 2019 as compared to market volatility

RISK FACTORS

spikes in 2018 (which is in accordance with our trading strategy which typically is more profitable during periods of increased market volatility); and (ii) the decrease in our consultancy service fees in 2019 as a result of the termination of our consultancy services agreement with our largest customer of consultancy services in December 2018 in AUM. For further details, please see the section headed “Financial information – Description of selected items in consolidated statements of profit or loss and other comprehensive income” in this prospectus.

While the amount of performance fee we are able to generate is largely driven by the level of volatility in the equity markets which is relatively unpredictable, the amount of management fees we are able to generate is largely dependent on our AUM which may be affected by, without limitation, significant redemptions of our funds by investors. While AUM of our flagship funds has continued to grow over the years since inception, certain of our investors in our managed accounts have determined to terminate their investments for various reasons which are outside of our control, and this may negatively impact our AUM, and hence, the amount of management fees we are entitled to charge. Where the amount of management fees charged in a financial period is insufficient to cover operating costs and/or we are only able to generate limited or no performance fees during the relevant periods due to low volatility in equity markets, we may incur a loss. For reference, our Group underwent a loss-making period over its start-up stages whereby management fees were unable to cover operating costs, leading to an accumulated loss of approximately HK\$19.8 million as at 1 January 2018. There is no guarantee that we will be profitable going forward.

Further, while we intend to launch new funds and establish new managed accounts as well as extend our business offerings to include structured managed accounts, 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.

Our volatility trading strategy is relatively less effective during low market volatility periods

We adopt a volatility trading strategy which lends to returns during periods of increased market volatility. For information on our volatility trading strategy, please see the section headed “Relative value volatility strategy and illustration of trade process and execution” in this prospectus. During periods of relatively low volatility in the equity markets generally, there would be relatively lesser in number and less profound opportunities which our trading strategy would be able to identify and realise for the purpose of generating returns (as there would be less incidence of differential among market participants in their valuation as to what they perceive to be overpriced or undervalued options arising from changes in implied volatility, caused by disruptions to equity markets that may have resulted from a multitude of factors (such as interest rate movements, changes in credit spreads and changes in general economic and political conditions), or events. As such, our volatility trading strategy may generally be less effective in identifying and monetising opportunities during periods of relatively low volatility in the equity markets, which may result in weaker performance of our funds and managed accounts, which would directly and adversely affect our ability to charge performance fees (which is typically calculated based on the absolute performance of the relevant fund or managed account, generally calculated on a high watermark basis by reference to the NAV of the relevant fund or managed account).

By way of example, the relatively low volatile equity markets for the year ended 31 March 2019 led us to record negative returns of 7.5% and 12.05% in respect of the True Partner Fund and the True Partner Volatility Fund respectively (which compares to positive return of 25.82% and 22.84% for the respective funds for the year ended 31 December 2018 during which the equity markets were

RISK FACTORS

comparatively more volatile). As a result, we generated a relatively modest performance fee income of approximately HK\$8,000 in the year ended 31 December 2019 (compared to performance fee income of approximately HK\$94.5 million in the year ended 31 December 2018).

In addition, actual and potential weak fund performance due to the sustained periods of low volatility in the equity market (for example, during a long stable bull market) may impact investor appetite for our funds and managed accounts, as the use of our trading strategy as a diversifier against losses that may arise from sharp market disruptions may be less appealing in such market conditions. This may reduce new subscriptions to our funds and/or redemption of investment from our funds and/or managed accounts, which may reduce our AUM (and the corresponding entitlement to charge management fees), and materially and adversely impact on our fee income, results of operations and/or financial condition.

Our Group's results of operations and financial condition may be materially and adversely affected by the investment performance of the funds and managed accounts which we manage

While it is the intention of our Group to manage our funds and managed accounts in accordance with the investment objectives and approach as described in our investment management mandates, we cannot be certain that such investment objectives and approach will be achieved and failure to do so may not result in expected investment returns for our investors. Ultimately this may adversely affect our ability to generate fees which, to an extent, is subject to the performance of our funds and managed accounts.

The profitability of our trading strategy and investment approach and the performance of our funds and managed accounts are subject to various factors. We adopt a global equity relative value volatility strategy. For further information, please see the sections headed “Business – Our investment approach” and “Relative value volatility strategy and illustration of trade process and execution” in this prospectus. The prices of the instruments traded have been subject to periods of significant low volatility in the past and such periods can be expected to recur. Lack of price movement can be a result of many unpredictable factors, such as market sentiment, inflation rates, interest rate movements, commodities, credit spreads and general economic and political conditions. Lack of volatility can result in losses for certain of our funds and managed accounts' positions that profit from price movements under our trading strategy. In addition, our strategy involves buying mainly relatively undervalued and selling relatively overvalued listed options on global equity indices. The identification of such investment opportunities is a difficult task, and there are no assurances that such opportunities will be successfully recognised or acquired, and involve a high degree of financial risk and can result in substantial losses.

Furthermore, certain investments may be based on the outcomes of specific situations anticipated by the Investment Manager and Sub-Managers, and certain other investments may be based on the anticipated outcomes of broader changes in markets or the economy. If the outcomes are not as anticipated, our funds and managed accounts could suffer losses and loss of opportunities for alternative investments. Our trading strategy uses quantitative methods and modelling, and investments selected using quantitative methods and modelling may not perform as expected for several reasons, including factors used in building the quantitative analytical framework, the weights placed on each factor, and changing sources of market risk and returns. Errors in the quantitative models or analysis, or the data on which the quantitative models are based, could adversely affect the use of the models or analysis and negatively affect our funds and managed accounts' performance. The performance of our funds and

RISK FACTORS

managed accounts is also subject to the speed and efficiency of executing transactions, as well as the ability of our personnel to accurately process computerised trading systems' outputs, use the proper trading orders, and properly operate and maintain the computer and communication systems upon which the trading systems rely.

The investment performance of our funds and managed accounts is subject to numerous other factors which are neither within the control of or predictable by our Group or the Investment Manager or the Sub-Managers. Such factors include a wide range of economic, political, competitive, technological and other conditions (including acts of terrorism and war) that may affect investments of the funds and managed accounts in exchange listed products.

Poor investment performance may materially and adversely affect the revenue that we receive through performance and management fees. Performance fees are charged with reference to the performance of our funds and managed account under management, and are typically calculated based on the absolute performance of the relevant fund (generally calculated on a high watermark basis by reference to the NAV of the relevant fund or managed account). As the level of performance fees we earn is directly linked to increases in fund performance, fund performance can have a significant impact on our financial results. For example, for the years ended 31 December 2018 and 2019, our performance fee income amounted to approximately HK\$94.5 million and HK\$8,000, respectively, representing approximately 84.1% and 0.02% of our revenue from fund management business, respectively, and a decrease of approximately HK\$94.5 million or 99.99%. This decrease was primarily due to low fund performance in 2019 as compared to 2018 which we attribute to the occurrence of reduced market volatility in 2019 as compared to market volatility spikes in 2018 (which is in accordance with our trading strategy which typically is more profitable during periods of increased market volatility). Management fees are charged on a monthly basis calculated using a percentage of the NAV of the shares of the relevant fund or managed account.

Moreover, if our investment performance is not satisfactory, existing investors in our funds and managed accounts may decide to reduce, redeem or withdraw their investments. Our investors in respect of managed accounts may also choose to engage other fund managers who may be competing with us to manage the sub-fund allocated to our investment management services. Going forward, we may also fail to secure new investment management mandates. Poor performance relative to other fund management firms may result in reduced purchases or subscriptions in the funds and managed accounts managed by us. As a result, investment underperformance of our funds and managed accounts could have a material adverse effect on our business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

We depend on our senior management and key personnel (in particular, our co-chief investment officers who lead our small portfolio management team in the execution of our trading strategy), 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, senior management team and key personnel who possess extensive experience, knowledge and expertise in volatility trading, market making and technology development and are principally responsible for managing our business development as well daily operations. We are dependent upon them for the provision of portfolio management services to our funds and managed accounts as well as the development of the relevant technologies. In particular, the skills, knowledge and expertise contributed by our key personnel have

RISK FACTORS

played a crucial role in developing our trading strategy and technology, and building our success and reputation to date. Senior management members Mr. Ralph van Put, Mr. Roy van Bakel and Mr. Thorsten Gragert have been working together since 1995, and other senior management members including our co-chief investment officers Mr. Godefriedus Jelte Heijboer and Mr. Tobias Benjamin Hekster, who lead our portfolio management team in the execution of our trading strategy, Mr. Johan Marianus Cecil Cornelissen, Mr. Remco Janssen and Ms. Doris Wong have been working for our Group since 2016 or prior. Our key personnel 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, senior management team and key personnel.

In particular, our Group materially relies on the continued services of our co-chief investment officers, Mr. Tobias Benjamin Hekster and Mr. Godefriedus Jelte Heijboer, for the performance of our portfolio management function, as well as our chief technology officer, Mr. Roy van Bakel, and our global head of research and development, Mr. Thorsten Gragert, for carrying out our technology and software development functions. The development and execution of our distinctive trading strategy (with the significant involvement of Mr. Hekster and Mr. Heijboer), as well as the development, maintenance and enhancement of our in-house technology platform to support our trading strategy (with the significant involvement of Mr. van Bakel and Mr. Gragert), are crucial to our business.

Notwithstanding the fact that the expertise and talent of our senior management and key personnel play a crucial role in the success of our business, we do not maintain key man insurance. Although we have implemented various measures such as a dual engagement approach to ensure that there is considerable overlap in competencies among our senior management and key personnel, there is no assurance that our operations, business development or implementation of our business strategies may not be materially impaired or adversely affected by the departure of key personnel.

Notwithstanding the fact that most of senior management have worked together for incentivised many years prior to joining to our Group, that they are subject to generally three-month termination notice periods (which is similar to the length of prior notice we are required to give to terminate their employment) and non-competition obligations following termination, and that several of such senior management members may be incentivised to further the interests of our Group as Substantial Shareholders of our Company, there is no assurance that one or more of our senior management team members will not leave our Group for personal or other reasons (including, without limitation, retirement, resignation due to solicitation by a competitor offering a more attractive remuneration package or otherwise), or that their ability to contribute to our Group may not be affected by unforeseen circumstances (such as unexpected events leading to death, permanent incapacity or otherwise). Further, the existing employment contracts entered by them with our Group do not provide for a fixed duration of their employments to ensure that they remain with our Group for a long period of time and hence, they are not legally (or morally) obliged to remain with or continue their provision of services to our Group.

As we expect to increase our AUM as well as launch new funds and establish new managed accounts, we will need to attract and retain personnel with relevant expertise, knowledge and experience. Although we intend to hire additional highly qualified staff in the future to mitigate the impact from the potential departure of senior management and key personnel, we may encounter difficulties in recruiting suitably qualified staff with sufficient expertise, knowledge and experience in fund management,

RISK FACTORS

volatility trading and/or developing trading technology, and we may be required to pay increased remuneration to attract and retain experienced and knowledgeable personnel required to achieve our business objectives. The failure to do so could materially disrupt our business and growth.

Furthermore, our profitability may be adversely impacted by potential increases in our costs incurred after the Listing, as we have to hire additional staff under our business expansion plan and to offer higher base salaries to attract the necessary qualified staff and we may offer better remuneration packages (including higher base salaries and/or higher bonuses) to our staff to recognise the contribution that our staff have made to our Group over the years and the degree of experience and seniority that they have attained after working with our Group for a period of time.

In addition, as an entity licensed with the SFC, a key operating subsidiary, the HK Sub-Manager, is required to appoint at least two responsible officers to supervise our type 9 (asset management) regulated activity at all times. In the event that two or more of our existing responsible officers resign(s), or become(s) disqualified, ineligible or no longer deemed to be fit and proper person(s) to act as our responsible officer(s) and we are unable to find immediate and suitable replacement(s), the SFC may decide to temporarily suspend our SFC licence, or impose additional licensing conditions and the HK Sub-Manager may no longer be able to carry on the regulated activity until replacement responsible officer(s) have been approved to be accredited to it. Where our type 9 (asset management) regulated activity is suspended as a result, our operating activities carried out by our HK Sub-Manager may be halted entirely resulting in only our U.S. Sub-Manager carrying out fund management services, and this will materially and adversely affect our operation as well as our results of operations and financial position.

Our inability to cover operating expenses may lead to a deterioration in our financial condition and prospects

We were incorporated in April 2010 and underwent a loss-making period at our start-up stage during which we were in the process of building up our fund management business as well as consultancy services. In particular, we accumulated losses in the sum of approximately HK\$19.8 million as at 1 January 2018 mainly due to the fact that we had not generated enough management fee income in previous years to cover operating costs during the start-up stage and during years when we recorded limited performance fee income. Notwithstanding the fact that the amount of management fees that we are entitled to charge has been increasing over the years with AUM growth as we continue to attract investments into our funds and managed accounts, we may materially rely on performance fee income (which may accrue from the existing financial period or may have been accumulated from present or previous financial periods) to sustain our business to the extent our management fee income is not sufficient to cover our operating expenses. Where there is a substantial decrease in performance fee income in a given year, we may need to rely on retained profits from previous years to cover operating expenses to the extent such operating expenses may not be covered by management fees (for example, in the financial year ended 31 December 2019 when we incurred a net loss). The inability of our Group to cover operating expenses may lead to a deterioration in our financial condition and prospects.

RISK FACTORS

There may be a decline in our AUM and failure to attract new AUM in the future

We derive a large portion of our fee income from performance fees and management fees based respectively on the investment performance and the NAV of our funds and managed accounts. An investor's ability to withdraw and/or redeem interests or shares from our funds and managed accounts is generally not restricted in accordance with the withdrawal and/or redemption provisions contained in the respective private placement memorandum and offering memorandum of our funds and managed accounts. In the event that there are substantial withdrawals or redemptions by investors within a short period of time, our funds and managed accounts would have to liquidate securities positions and other investments more rapidly than would otherwise be desirable, possibly reducing the value of our funds and managed accounts' assets and/or disrupting our funds and managed accounts' trading strategy. As such, a reduction in the asset value of our funds and managed accounts could make it more difficult to generate a more positive return or to recoup losses due to, among other things, a reduction in our funds and managed accounts' ability to take advantage of particular investment opportunities or decreases in the ratio of their income to their expenses. A decline in our funds and managed accounts' performance and NAV or in the value of our Group's AUM, and/or a reduction in fees payable to us, could have a material adverse effect on our business, growth prospects, fee income, results of operations and/or financial condition.

Other than certain investors who have entered into side letters with our Group which are subject to lockup periods in respect of their investments (accounting for approximately 4.3% of our Group's total AUM as at 30 June 2020 only), the investments of investors in our funds and managed accounts are not generally subject to lock-ups, and the amount of locked-up investments would not by themselves be sufficient to cover forecast operating expenses for the financial year ending 2020. This would effectively mean that most of the existing investments could be redeemed by investors at any time, and our AUM may decline substantially if this occurs. As the management fees which we are entitled to charge under our investment mandates are calculated as a percentage of our AUM, a substantial decline in our AUM due to material redemptions may lead to a material decrease in the amount of management fees that we may be entitled to charge. Further, a lower AUM may also reduce the marketability of our funds due to minimum investment amounts and concentration limits imposed by asset allocators. As such, our financial conditions and prospects may be affected accordingly.

Our growth in profits substantially depends on increasing our AUM. For the two years ended 31 December 2018 and 31 December 2019, our AUM increased by approximately 79.2% from approximately US\$635.0 million to US\$1.1 billion. Our AUM further increased by approximately 20.7% to approximately US\$1.4 billion as at 31 March 2020. As at 31 August 2020 (being the latest practicable date of this information), our AUM amounted to approximately US\$1.589 billion. We may fail to attract new AUM in the future if investors are not attracted to our global equity relative value volatility trading strategy. We may also have difficulty selling our volatility strategy to potential investors. Generally, the time period between first meeting potential investors and investments by such investors in our funds and managed accounts is protracted. If we fail to increase our AUM in line with our business objectives, our business growth may be materially impaired. This could have a material adverse effect on our Group's fee income, results of operations and/or financial condition.

We rely materially on our top investors in terms of revenue and the loss of our top investors may materially and adversely affect our financial position

RISK FACTORS

As at 31 December 2018 and 2019 and 31 March 2020 respectively, we had 38, 42 and 38 professional investors (including collectively investment undertakings, family offices, pension funds, endowments/foundations, financial institutions and high-net worth individuals) who had invested directly in our funds and managed accounts. Please refer to the section headed “Business – Our investors” in this prospectus for a detailed breakdown of these investors by investor type as well as AUM and revenue contribution.

For each of the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, revenue generated from our largest investor (in terms of contribution to our fund management business revenue) was approximately HK\$43.1 million, HK\$6.6 million and HK\$12.3 million, respectively, representing approximately 38.4%, 15.2% and 24.8% of our fund management business revenue, respectively.

For each of the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, revenue generated from our five largest investors (in terms of contribution to our fund management business revenue) was approximately HK\$79.0 million, HK\$23.4 million, HK\$28.6 million, respectively, representing approximately 70.4%, 53.6% and 57.7% of our fund management business revenue, respectively. These investors have invested in our Group for slightly more than three years on average only, with the shortest of these relationships only one and a half years.

Notwithstanding that we rely materially on our top investors in terms of our revenue generation, these investors are not typically subject to any lock-up on their investments and they may redeem their investments with us at any time by providing 20 business days or less prior notice (as defined in the relevant agreement). We do not have control over any potential redemption decisions of our investors, and their decision may not necessarily result from the fund performance of our funds or managed accounts, and may purely be due to change of strategy or control of asset allocators or otherwise. Any material redemptions or withdrawal of investments by our top investors may cause our AUM to be reduced significantly, which may consequently cause our other existing investors (and prospective investors contemplating an investment) to lose confidence in our trading strategy and possibly further redemptions in investment (or reduction in new subscriptions) in our funds. As such, any loss of our top investors may materially and adversely affect our financial position as well as our business prospects.

In addition, we rely on our management and sub-management agreements to derive revenue. Certain of our management and sub-management agreements have been entered into by our Investment Manager and/or Sub-Managers with fund companies or investment managers controlled by third parties. There is no assurance that our relationship with such third parties will not deteriorate and/or that they will not terminate these management and sub-management agreements in the future.

AUM growth may be affected by perception of capacity constraints

The strategy adopted by our Group in respect of our fund management activities involves the exploitation of market inefficiencies through the adoption of active portfolio management and trading strategies. As with other hedge funds, as the size of our funds grow, there could be constraints on the execution of such strategy given limitations on market liquidity of the products that we trade, and such constraints may adversely affect the investment returns of our funds. Such limitation on the scalability of hedge fund portfolios could also result from exogenous market related factors such as increased competition, low liquidity and limited profitable opportunities, which may be difficult to measure.

RISK FACTORS

Due to the above reasons and the open-ended nature of our funds (which may grow or shrink in size due to subscriptions and redemptions of investors), absolute returns to investors and investment opportunities (and as a result, the marketability) of our funds may potentially diminish as their AUM continue to grow. If we are unable to effectively market our funds, or where investors cause redemptions of their investments due to actual or potential diminished returns, the amount of our revenue from fund management may be negatively affected and this may have adverse implications on our results of operations.

While the said adverse implications may be mitigated by (i) the launch of new funds (including funds with a focus on different asset classes (such as commodities, forex or longer-dated derivatives) and/or which are more geographically-focused); and/or (ii) investment mandates in respect of funds and managed accounts which are closed in nature, or with different risk and returns profiles, or different fee structures arising from tailored and calibrated strategies involving varying degrees of fund management efforts (please refer to the section “Business – Our business strategies” of this prospectus for further details), there is no guarantee that we would be able to effectively market new funds or secure new investment mandates in the future, and the failure to do so may materially and adversely affect our future prospects as well as our profitability and results of operations.

We rely on our capital introduction partners to assist us in sourcing investors

As at 31 December 2018 and 2019 and 31 March 2020, approximately US\$524.8 million, US\$989.8 million and US\$1.162 billion of our AUM, respectively, representing approximately 82.6%, 87.0% and 84.6% of our total AUM, respectively, was sourced with the assistance of our capital introduction partners. We cannot give any assurance that our relationship with these capital introduction partners will not deteriorate and/or that our contractual agreements and arrangements with them will not be terminated in the future. If such agreements and arrangements are terminated and we are unable to find alternative capital introduction partners on a timely basis or on equivalent terms or of similar quality, our ability to source new investments from potential investors into our funds and managed accounts could be severely and adversely affected. Although it is our strategy to shift from engaging capital introduction partners to internalising our marketing activities, we cannot give any assurance that any new in-house marketing and investor relations personnel will be effective in sourcing new investors. Our inability to source new investors could have a material and adverse impact on our Group’s fee income, results of operations and/or financial condition.

Our performance fees are subject to the fluctuations in our funds’ and managed accounts’ investment performance and increase the volatility of our Group’s earnings

A significant portion of our fee income is derived from performance fees. For each of the years ended 31 December 2018 and 31 December 2019 and the three months ended 31 March 2020, performance fees represented approximately 84.1%, 0.02% and 71.3%, respectively, of our revenue from our fund management business.

Performance fees are charged with reference to the performance of our funds and managed accounts under management, and are typically calculated based on the absolute performance of the relevant fund or managed account, generally calculated on a high watermark basis by reference to the NAV of the relevant fund or managed accounts. We are typically only entitled to charge performance fees where, on the relevant valuation date, the NAV of the relevant fund or managed account exceeds the highest NAV

RISK FACTORS

achieved on previous valuation dates, or the “high watermark”. In the event the NAV of our funds and/or managed accounts does not exceed the high watermark on a valuation date, we would not be entitled to charge performance fees for the relevant period.

As such, the amount of performance fees we are entitled to charge is materially dependent on the performance of funds and managed accounts under our management, which to a large extent, is reliant on the effectiveness of our trading strategy. Where the performance of our funds or managed accounts may be materially and adversely affected, for example, by extended periods of low volatility in the equities markets, our ability to generate performance fees may be limited. Such fluctuation in investment returns in respect of funds and managed accounts under management may give rise to difficulty in managing cash flow and liquidity, especially in light of existing capital commitments, which may have implications on our growth prospects and financial condition.

Further, our ability to generate performance fees is dependent on our ability to achieve the high watermark through the performance of funds and managed accounts under management. If our funds and managed accounts fail to perform and have significant negative returns, then the high watermark may become more difficult to achieve in a particular valuation period or in the future; in which case, generation of performance fee will be adversely affected. In the event we are unable to generate performance fees, our results of operations and financial condition may be materially and adversely affected as well.

We recorded net cash used in operating activities for three months ended 31 March 2020

We recorded net cash used in operating activities of approximately HK\$20.7 million for three months ended 31 March 2020, which was principally attributable to (i) an increase in accounts receivable of approximately HK\$43.1 million, (ii) the tax payment of HK\$11.1 million, partially offset by an increase in accruals and other payables of approximately HK\$18.4 million. Please refer to the section headed “Financial information – Liquidity and capital resources – Cash flows” in this prospectus for further details. There is no assurance that we will be able to generate positive cash flows from operating activities in the future.

In the event that we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. We can give no assurance that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

We are subject to competition with other fund managers and investors’ preference for allocating their investment portfolio into other assets classes

The hedge fund industry is competitive and fund managers which adopt more static, easier to replicate strategies may face continued fee pressure over time and withstanding such pressures may require offering differentiated levels and sources of investment returns that are harder to replicate. There is no assurance that our Investment Manager and Sub-Managers will be able to identify or successfully pursue attractive investment opportunities and effectively attract institutional capital in this environment. While our Directors believe that the HK Sub-Manager and the U.S. Sub-Manager, our key operating

RISK FACTORS

subsidiaries, have established themselves as reputable and reliable fund managers, there is no assurance that we will be able to effectively and successfully compete with other fund managers in terms of, among other things, pricing, trading strategy, financial strength, technological innovation, IT optimisation, experience and knowledge of staff, and ability to provide personalised and quality services, as well as our ability to maintain and expand our investor base or market share, including in Europe and the U.S..

In particular, our Group may have to compete against fund managers who may have larger investor 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 relationships and longer operating histories than that of our Group. Some fund managers 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 investors are not bound to use our fund management services and can freely switch to other fund managers), and could materially and adversely affect our profitability, results of operations and business prospects.

Furthermore, the investment appetite and preference of investors in our funds and managed accounts may change over time and they may diversify their investment portfolio among a variety of assets classes, including but not limited to funds, equities, bonds, real estate and cash assets. Each asset class performs differently over time in light of changing economic conditions, market forces and government policies. We cannot give any assurance that investors in our funds and managed accounts will not reduce, redeem, withdraw or sell their investments and re-allocate their investment portfolio into other assets classes. A decline in our AUM as a result of portfolio reallocation by the investors could have a material and adverse impact on our Group's fee income, results of operations and/or financial condition.

There may be reduced investor demand for hedge funds for a variety of reasons

The investment appetite and preference of investors in hedge funds may change over time. In the future, there may be reduced investor interest in hedge funds due to various factors beyond our control. There may be a negative perception of the hedge fund industry, for example as a result of scandals or other negative news involving hedge funds. Following the 2008 Madoff investment scandal and 2007–2008 financial crisis, there was a significant reduction in investor appetite for hedge funds, with estimated net hedge fund AUM flows turning negative following the financial crisis (having grown over 2001 to 2007 annualising at 25% of AUM per year). Hedge funds may also be subject to competition from other forms of investments (such as other types of funds, equities, bonds and real estate). The hedge fund industry may not perform well or be viewed as too risky compared to other forms of investment, or may be negatively impacted by various regulatory developments, in which event investors may seek to reallocate capital from hedge funds to other forms of investments. If there is a reduction in investor interest in hedge funds generally, existing investors in our funds and managed accounts may reduce, redeem, withdraw or sell their investments, and/or there may be a reduction of or no new investments being made. Consequently, this could have a material adverse effect on our Group's AUM, fee income, results of operations and/or financial condition.

RISK FACTORS

Our investment approach and trading strategies may change over time and may not be successful under all or any market conditions

The success of our investment approach and trading strategies depends, to a material extent, upon market conditions and our ability to interpret and effectively utilise market data and other information. We believe that the investment approach and trading strategies of our funds and managed accounts would need to be reviewed and evaluated from time to time to meet constantly changing market conditions and consequently generate investment returns. As the approach and strategies that our Investment Manager and the Sub-Managers currently employ may be modified from time to time, it is possible that strategies used in the future may be different from those currently in use. No assurance can be given that the current and/or future trading strategies will succeed under all or any market conditions or that the strategies which have been successful will continue to be profitable.

We are subject to limitations in relation to investment of our funds

The funds and managed accounts that we manage generally invest in derivative instruments including, without limitation, options and futures. Derivatives allow an investor to hedge or speculate the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying assets. In general, our Group and prime brokers and/or broker-dealers engaged by us are required to comply with restrictions (prescribed under applicable laws and/or rules of relevant stock exchanges) on the extent of positions (including number of derivative contracts) which may be held or controlled by a trader, or group of affiliated traders. Further, as part of its investment/trading strategy, an investment manager typically imposes a limitation on the aggregate amount of funds to be invested in various sectors, asset classes, or markets as well. If the derivative instruments which our funds intend to acquire are not available to us due to exceeding the prescribed position limit and/or limitations set out in our investment/trading strategy, there is no assurance that we would be able to take full advantage of our investment approach and trading strategies. This could have a material adverse impact on our Group's competitive advantage and lead to a decline in the performance of our funds.

In addition, our ability to efficiently deploy money to take advantage of new trading opportunities in a timely and effective manner could be restricted by a limited personnel base. If we experience an increase in AUM without a corresponding increase in headcount, we may be unable to redeploy money efficiently. This could materially and adversely affect our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

We depend on our proprietary trading technology in executing our trading strategy and our future results may be adversely impacted if we cannot maintain technological advantage in our industry

Options are relatively complex instruments and managing options portfolios adopting global relative value volatility strategy requires significant investment in technology and operational infrastructures in order to be able to calculate exposures quickly and accurately, and trade processing speed and access to analytical tools and pricing models supported by quantitative data made available in such platforms (to enable traders to identify opportunities) may be crucial. We consider that our success in the past has largely been attributable to our sophisticated proprietary trading technology that has taken years to develop. As such, our technology requires continued investments and development for our strategy to be effective, failure to do so may have negative implications on our fund performance. Additionally, adoption or development of similar or more advanced technologies by our competitors may

RISK FACTORS

require us to devote substantial resources to the development of more advanced technology to remain competitive. In the event that we fail to develop, maintain or upgrade our proprietary trading technology to meet the demands of investors in our funds and managed accounts on a timely basis, at commercially reasonable costs, or at all, the investors in our funds and managed accounts may determine to withdraw their investments in our funds and managed accounts and engage the services of our competitors who may be able to meet their requirements. This will adversely affect our reputation as well as our business, results of operations and financial condition.

Failure to maintain efficient and reliable IT infrastructure may materially and adversely affect our business

The success of our Group relies, to a material extent, on our ability to develop and maintain reliable, stable and effective IT infrastructure through which our personnel, the Investment Manager and the Sub-Managers may access and monitor global markets and exchanges as well as trade, manage portfolio and monitor risks in an efficient manner. Any failure of the Investment Manager and the Sub-Managers' information, technology or security systems could have an adverse impact on the Investment Manager and the Sub-Managers' ability to manage our funds and managed accounts' investments, which may negatively impact the value of our funds' and managed accounts' investments.

The IT infrastructure used by our Group, the Investment Manager and the Sub-Managers may be vulnerable to, without limitation, human error or external threats (such as computer viruses or other malicious programs, hackers, power outages, fire, sabotage, hardware or software malfunctions or defects, intentional acts of vandalism, unauthorised access, investor misuse, lack of proper maintenance or other disruptive actions), which may cause disruption, including data loss or corruption and potentially lead to interruption, delay or cessation in part or all of our fund management services supported by our technology platform. 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 IT infrastructure could have an adverse effect on the business operations of our Group and adversely affect the results of operations and financial condition of our Group.

Although our Group, the Investment Manager and the Sub-Managers have implemented various measures to manage risks relating to these types of events, if our IT systems are compromised, become inoperable for extended periods of time and/or cease to function properly, our Group, the Investment Manager and the Sub-Managers may have to make a significant investment to fix or replace the systems. The failure of our IT systems and/or our fund management operations may result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors. 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 senior management and key personnel away from our usual business operations) and may potentially result in our Group having to pay damages. This could materially and adversely affect our business reputation, financial condition and results of operations.

We are also dependent upon systems operated and utilised by third party services providers, including custodians, administrators and prime brokers. These systems may be subject to certain limitations, including, but without limitation, human error or external threats, as described above. Our fund management operations are highly dependent on each of these systems and the successful operation of such systems is often out of our control. The failure of one or more systems or the inability of such

RISK FACTORS

systems to satisfy our requirements could have a material adverse effect on our funds and managed accounts. For example, systems failures could cause settlement of trades to fail, lead to inaccurate accounting, recording or processing of trades, and cause inaccurate reports, which may affect our ability to monitor our funds and managed accounts' investments and risks. Further, we use automated order routing and execution systems in trading activities, and such systems may experience technical difficulties which may render them temporarily unavailable and/or may fail to properly perform, which result in losses to our funds and managed accounts.

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 both Hong Kong and the U.S. is highly regulated.

In respect of our Hong Kong operations, the key operating subsidiary, the HK Sub-Manager, as a licensed corporation registered with the SFC to carry out type 9 (asset management) regulated activity, 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 the HK Sub-Manager and each of its substantial shareholders and responsible officers are, and continue to be, fit and proper. Our compliance obligations are and 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 by the HK Sub-Manager 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/or (iv) the risk of suspension or revocation of licence. Any such investigation, proceedings, additional licence conditions, sanction or penalty, or the suspension or revocation of licence 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 regulations and 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 regulations, codes and guidelines) may (i) require us to incur additional costs for compliance; and (ii) potentially affect our ability to carry on our existing regulated activity.

In addition, the SFC may carry out such regulatory inspections and investigations on licensed corporations as it deems necessary from time to time. In October 2016, the SFC undertook a routine inspection of our HK Sub-Manager. On 27 January 2017, we received a letter from the SFC following the inspection in which the SFC did not raise any comments. Our HK Sub-Manager 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 may 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 an SFO investigation, we generally do not know whether the HK Sub-Manager 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

RISK FACTORS

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 the HK Sub-Manager, the relevant directors, responsible officers, licensed representatives and/or staff. Any disciplinary actions taken against the HK Sub-Manager, the relevant directors, responsible officers, licensed representatives and/or staff will negatively affect our reputation and may materially and adversely impact our business prospects and financial results.

Commodity exchanges in the U.S. are subject to regulation by the CFTC. In addition, the various commodity exchanges themselves exercise regulatory and supervisory authority over their members. The CFTC and NFA also regulate the activities of commodity pool operators and has adopted regulations with respect to certain of such persons' activities. Our Investment Manager is a registered commodity pool operator, which is required to make initial and thereafter periodic filings with the NFA describing its organisation, capital structure, management and controlling persons. Our Investment Manager avails itself of an exemption under CFTC Rule 4.7, which provides disclosure, reporting and record-keeping relief. Pursuant to such authority, CFTC requires commodity pool operators to keep accurate, current and orderly records with respect to each pool it operates. The CFTC may suspend the registration of a commodity pool operator if (i) the CFTC finds that the trading practices of the commodity pool operator tend to disrupt orderly market conditions, (ii) if any controlling person of the commodity pool operator is subject to an order of the CFTC denying such person trading privileges on any exchange, and (iii) in certain other circumstances. Suspension or termination of our Investment Manager's registration as a commodity pool advisor would prevent it from fully implementing the investment program of our funds and managed accounts, and could result in substantial losses.

In addition, the introduction of new legislation or amendments to existing legislation and regulations (including changes in how they are interpreted or implemented) by governments, the decisions of courts and tribunals and the rulings and decisions of regulatory authorities, can adversely impact the returns of our funds and managed accounts, and thus our financial position and results of operation. The regulatory environment for fund managers, investment funds and instruments traded (including derivatives) is evolving, and changes in legislation and regulation may adversely affect the value of investments held by our funds and managed accounts, the cost of compliance with applicable regulations, and the ability of our funds and managed accounts to obtain the leverage they might otherwise obtain or to pursue their trading strategies.

Our funds have not been authorised by regulatory authorities in the jurisdictions in which they are marketed

Other than the IAM True Partner Volatility UCITS fund which is a UCITS fund authorised by the Central Bank of Ireland, the funds managed by us have not been authorised or registered by any regulatory authority in Hong Kong, the U.S. or other relevant jurisdictions where interests in our funds are being offered or marketed.

We rely on various exemptions under applicable laws for the purpose of ensuring compliance with various prospectus registration, authorisation and other requirements. Such exemptions may include offering of securities to only professional or accredited investors as defined in applicable legislation, or where the offer is not made generally available to the public. To continue to qualify for such exemptions, we carry out, or have engaged fund administrators and professionals to carry out, various procedures to ensure compliance. This may involve, for example: (i) carrying out assessment and evaluation as to

RISK FACTORS

whether prospective investors are, and continue to be, professional investors (which may involve assessing, *inter alia*, their financial situation, investment experience and knowledge, and investment objectives, as well as obtaining written declarations from relevant investors on a periodical basis). The ascertaining of the professional investor status may also mean that we are permitted to treat the relevant investors differently in terms of, *inter alia*, the level of risk disclosures required, or ensuring suitability of products; and (ii) including disclaimers in offering documents and ensuring that they are not distributed to unintended recipients.

Where the relevant measures carried out by us, or our service providers, are inadequate to ensure compliance with relevant exemptions (for example, where documents relating to our funds are leaked, accessed or read by non-professional investors through ways that are beyond our control), we may commit an offence and may be subject to sanctions and fines, and our existing licenses and registrations for the purpose of carrying regulated activities may be suspended and revoked. In such event, in addition to reputational damage, our financial condition and prospects will be materially and adversely affected.

In addition, the offering documents of the funds managed by our Group (other than in respect of our UCITS fund) have not been filed with, registered, reviewed or approved by any regulatory authority or agency and therefore no agency or authority has vetted upon the accuracy or adequacy of the offering documents or the merits of an investment in the shares offered in the offering document. There is also no assurance that adequate information has been provided in the offering document for investors to make informed investment decisions. Where there are any inaccuracies or material omissions in the contents of the offering documents and investors suffer any pecuniary losses or damages as a result, we may be subject to civil and other liabilities for, *inter alia*, misrepresentation in respect of disclosures or dissemination of information inducing investments in securities. In addition to reputational losses, existing and prospective investors may lose confidence in our Group leading to, *inter alia*, withdrawal of investments, and our financial results and future prospects may be materially and adversely affected.

Our operations may be subject to transfer pricing adjustment

During the Track Record Period, we entered into three intercompany transactions as set out in the section headed “Financial Information – Description of selected items in consolidated statements of profit or loss and other comprehensive income – Operating expenses – Transfer pricing arrangements” in this prospectus. We engaged transfer pricing consultants to evaluate our transfer pricing practices with respect to the Intercompany Transactions for the Track Record Period. Our transfer pricing consultant concluded that the profits of the relevant operating subsidiaries fall within the arm’s length range and the relevant operating subsidiaries were remunerated on an arm’s length basis. As at the Latest Practicable Date, our Directors were not aware of any inquiry, audit or investigation by the tax authorities in Hong Kong or the United States with respect to the relevant transactions.

There is no assurance that the tax authorities would not subsequently challenge the appropriateness of our Group’s transfer pricing arrangements or that the relevant regulations or standards governing such arrangements will not be subject to future changes. If any competent tax authorities later find that the transfer prices and the terms that our Group has applied are not appropriate, such authority may subject our Company or its subsidiaries to income re-allocation and/or tax adjustments, which could result in a higher overall tax liability for our Group. Our Group may also be subject to potential penalties. Any such reallocation, adjustment and/or penalties may adversely affect the business, financial condition and operating results of our Group.

RISK FACTORS

Our unrealised performance fees for the six months ended 30 June 2020 may not be fully reflected in our results for the year ended 31 December 2020

As set out in the section headed “Summary – Impact of the COVID-19 pandemic on our business” in this prospectus, our unrealised net performance fee have not been recognised in our results for the six months ended 30 June 2020 in accordance with applicable HKFRS, and can only be realised pursuant to the relevant investment mandates and booked over the period up to 31 December 2020, subject to performance fee increase/decrease as a result of the performance of relevant funds and managed accounts from 1 July 2020 to 31 December 2020. In particular, for funds and managed accounts of our Group (other than the True Partner Fund), the relevant unrealised performance fees would only become realised upon crystallisation which will occur upon the earlier of (i) redemption of investment by an investor; and (ii) 30 September 2020 or 31 December 2020, depending on the terms of the relevant funds or managed accounts.

Despite the generation of the unrealised net performance fee described above, as an investment manager, we have a duty to investors to continue trading according to relevant investment mandates for the remainder of the year, and therefore new positions may be set up based on volatility opportunities with a view of providing additional returns to investors (and generating additional performance fees). Over such period, the circumstances as to whether the relevant unrealised performance fee will become realised and if so, how much, would depend on the performance of our funds and managed accounts towards the said crystallisation times. In the event that the equity markets stabilise for the remainder of 2020, we will nevertheless incur transaction costs from the execution of trades notwithstanding less opportunities will be presented for our trading strategy, and therefore less positions will be held. If we are unable to capitalise on opportunities during such less volatile periods, our funds and/or managed accounts may record negative performance for the remainder of the year, in which event, the amount of unrealised performance fees may decline, and subsequently a lower performance fee will be realised and reflected in our results for the year ended 31 December 2020.

We may be exposed to risks of non-compliance with fund registration and distribution regulations in various jurisdictions

Our Group acts as manager to the funds and managed accounts. Whenever a new fund is launched, we instruct third party legal advisors to draft constitutional, investment management, offering, subscription and other documents to ensure that our Group’s activities in managing and potentially distributing our funds are in accordance with the rules and regulations as set by our primary regulators, the SFC and the SEC, as well as other regulatory bodies, rules and regulations overseas that our activities may be subject to. Our Group relies substantially upon the advice and review by our clients, investors, third party legal advisors and professional service providers such as distributors, custodians, prime brokers and administrators, to ensure our compliance with all laws and regulations in Hong Kong, the U.S. and overseas jurisdictions where our funds are incorporated or may be marketed. If our investors, legal advisors or other professional service providers do not comply with the terms under their agreements with us and/or act in a negligent or reckless manner, we may be exposed to legal risks and damage to our reputation.

RISK FACTORS

We and our funds may be subject to counterparty and credit risks which may adversely impact our performance and the performance of our funds and managed accounts

As part of our fund management activities, our funds engage custodians, administrators, prime brokers as well as other counterparties for the purpose of, without limitation, trading, safe custody of investments and proceeds of trades, issuance and redemption of shares, calculations of assets' valuations and fees as well as maintenance of books and records. There is no assurance that such counterparties will not be subject to credit difficulties or risk of insolvency which may possibly cause a default or delay in their performance of obligations under the terms of their engagement. This may materially and adversely affect our management of relevant funds and/or managed accounts and/or the effectiveness of our trading strategies, which may have adverse implications on the performance of our funds and/or managed accounts and our hence, our financial performance. Further, the timely settlement of fees due and owed to us from our funds and managed accounts under management may also be significantly compromised.

In addition, there is also no assurance that custodians and counterparties comply with relevant regulatory obligations in segregating fund assets deposited with them, which may affect our ability to pursue legal remedies or dispose of positions in the event of their insolvency.

In any event, the practicable effects of applicable contracts, laws and regulations and their application to fund assets if a counterparty becomes insolvent is subject to substantial limitations and uncertainties. Any loss of all or substantial portion of fund assets due to insolvency or credit difficulties of our counterparties will materially and adversely affect our fund management operations, our reputation as well as financial condition and prospects.

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" in this prospectus include, among other things, (i) expanding our operations in Hong Kong, Amsterdam (Netherlands), Chicago (U.S.) and London (UK); (ii) enhancing our IT systems; (iii) expanding our IT workforce; and (iv) enhancing our sales and marketing activities. In addition, our Group may from time to time implement, as and when appropriate, other plans in order to remain competitive in the fund management industry.

The above future 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 personnel to support our expansion plans and marketing strategies due to competition in attracting talent;
- we may not be able to obtain an investment firm license from the AFM in the Netherlands;
- 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, the U.S. and Europe, which are beyond our control, and due to such factors, the perceived benefits of relevant investments to these future plans may not materialise or may be delayed; and

RISK FACTORS

- our ability to market our services to investors in Europe and the U.S. is subject to applicable laws and regulations in Europe and the U.S., 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. All of these endeavours would 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 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.

Our Group employs a single trading strategy which could lose market favouritism

Our Group employs a global volatility relative value trading strategy in managing funds and managed accounts on a discretionary basis. For further information on our strategy, please see the section headed “Relative value strategies and illustration of trading process and execution” in this prospectus. Although we intend to diversify our service and offering stream through the launch of new funds, managed accounts and structured managed accounts as further elaborated in the section headed “Future plans and use of proceeds” in this prospectus, such funds and managed accounts will generally adopt volatility trading strategies similar to that adopted by our existing funds/managed accounts (with certain modifications and calibrations in terms of volatility bias and underlying asset classes etc.). Our niche volatility trading strategy may lose market favouritism for various reasons, including but not limited to, performance compared to markets and other trading strategies, perceived risk of volatility trading strategies and investors’ appetite for diversifying strategies. We adopt, and our business relies on, one type of trading strategy, and we have not diversified into other types of strategies. Further, we expect that our fund management business employing our volatility trading strategy will continue to be our primary source of revenue. Therefore, any significant decline in market interest in our volatility trading strategy could materially and adversely affect our AUM, revenue, business, growth prospects, results of operations and/or financial condition.

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 have established risk and internal control systems for monitoring, evaluating and managing our exposure to various risks during the ordinary course of our business. For details, please refer to the section headed “Business – Risk management and internal control” in this prospectus. 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 as well as our observance of historical market behaviour. As a result, these methods may fail to predict future risk exposures, which could be

RISK FACTORS

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 may depend upon evaluation and analysis of available information with respect to markets 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 may 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 operational, legal and regulatory risks requires, among other things, policies and procedures to properly record and verify a large number of transactions, events and business activities, as well as appropriate and consistent application of and adherence by staff to our internal control systems, of 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.

We have implemented a business continuity and disaster recovery plan to guide us in the event of an internal or external emergency or significant business disruption, as described in the section headed “Business – Risk management and internal control – Internal control – Business continuity and disaster recovery” in this prospectus. However, the plan may be ineffective in ensuring that our Group is able to carry on its business if the procedures and measures set out in the plan fail, are inadequate or are disrupted, and the plan may not ensure that our Group can anticipate, prevent or mitigate a material adverse effect on the Company’s business, financial condition and results of operations.

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 or staff, 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 the price of securities or derivatives;
- engaging in unauthorised or rogue trading by our portfolio managers; and
- engaging in fraudulent acts or otherwise not complying with applicable laws or regulations or our internal control procedures.

RISK FACTORS

While none of our Directors and staff 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, illegal act or misconduct in the future or that the precautions we take to prevent and detect such fraud, illegal act or misconduct would be effective.

Depending on the nature of the misconduct, our Group, Directors and/or 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 pursue 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, illegal act or misconduct may materially and adversely affect our business, financial condition and results of operations.

We are subject to competition from program trading

Our portfolio managers make trading decisions and execute trades manually with the assistance of our self-developed technology platform which flags opportunities as they arise. We do not engage in program trading. Program trading may be able to, and/or there may be a market perception that program trading may be able to, identify arbitrage opportunities more effectively or broadly than our portfolio managers can. Arbitrage trading requires the rapid and efficient execution of transactions, and program trading may be able to more rapidly and efficiently execute transactions. Inefficient execution can negatively impact, possibly materially, the profitability of our positions, and in certain cases cause us to miss a limited live market opportunity entirely. Further, our trading systems rely on the ability of our portfolio managers to accurately process such systems' outputs and to use the proper trading orders to execute the transactions. We are accordingly subject to human errors, which could cause substantial losses on transactions, and any such losses could substantially and adversely affect the performance of our funds and managed accounts. Our Group has to compete against fund managers that use program trading, which current and potential investors may have an investment preference for. We cannot give any assurance that current investors may not reallocate their investments from our funds and managed accounts to strategies that employ program trading, or that potential investors may not have an investment appetite for program trading rather than our trading approach that relies on our portfolio managers. Consequently, competition from program trading may have a material and adverse impact on our AUM, revenue, business, growth prospects, results of operations and/or financial condition.

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

In the U.S., our Group's U.S. legal entities may be subject to laws and regulations aimed at preventing corruption, money laundering, inappropriate employment practices, illegal payments and engaging in business activities with certain individuals, countries or groups, including but not limited to the U.S. Foreign Corrupt Practices Act, the USA PATRIOT Act, the U.S. Bank Secrecy Act and sanctions imposed by the U.S. Treasury's Office of Foreign Assets Control.

We are required to comply with applicable AML and CFT laws, regulations and guidelines in Hong Kong and the U.S.. These laws, regulations and guidelines require licensed corporations (including the HK Sub-Manager, a 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

RISK FACTORS

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 such 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, terrorist financing 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, terrorist financing and other illegal or improper activities.

To the extent that we fail to fully comply with applicable AML and CFT 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, as well as investors in our funds and managed accounts; in particular where they form the perception that our business is being used to facilitate money laundering or terrorist financing activities 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 we have established ourselves as a reliable and trusted fund management firm in Hong Kong and the U.S.. Our ability to develop, maintain and enhance our brand and reputation will depend largely on: (i) our ability to continue to serve our clients and investors in our funds and managed accounts satisfactorily; and (ii) market perception; particularly given that we operate in an industry where integrity, client and investor 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 or investors in our funds and managed accounts;
- we become subject to material client and/or investor complaints, litigation and/or disputes; and
- we, our Directors or any members of our staff become subject to any claims of alleged negligence, misconduct, breach of laws and regulations or become the subject of any regulatory investigation, proceeding or subject to any public censure or private reprimand.

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

RISK FACTORS

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 for the marketing and protection of our brand, there can be no assurance that the registered 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. Any litigation or arbitration involving our trademarks may require significant expenditure and management efforts, and an unfavourable 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, eroding or negatively affecting our image and/or negating any competitive advantage we may have over them in terms of our brand and reputation, and this could harm our business and profitability.

In addition, although we have developed software technologies for our business, we have not registered copyright in respect of such technologies as we use our software internally (rather than selling or licensing to third parties). This does not necessarily mean that copyright in such technologies cannot be claimed by us under applicable laws, since copyright typically arises without the need of its owner to register its copyright first. We cannot assure you that we will be able to detect unauthorised use or take appropriate, adequate and timely actions to enforce our intellectual property rights in our self-developed software technologies. The measures we take to protect our intellectual property rights may not be adequate, and monitoring and preventing unauthorised use is difficult. Our competitors and/or third parties may copy or otherwise obtain and use our intellectual property rights in our software without our prior authorisation. If we are unable to adequately protect our intellectual property rights in our software, our reputation may be harmed and our business 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 of claims and amount of damages and penalties in litigation and regulatory proceedings against licensed corporations may 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 investors, and potential disputes over the terms and conditions of trading arrangements. We may also be subject to claims for alleged negligent conduct, breach of fiduciary duty or breach of contract. These risks often may be difficult to assess or quantify, and their existence and magnitude often 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

RISK FACTORS

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.

We are reliant on third party service providers and other counterparties

We rely on third party service providers including third party custodians, administrators and prime brokers, and we enter into various agreements and arrangements with third parties.

Substantially all of our funds and managed accounts' assets are held with the prime brokers or in the bank accounts of our funds and managed accounts. Our funds and managed accounts also have exposure to other counterparties in connection with contract-based transactions. There is a risk that any of the counterparties could become insolvent or may default on its obligations to our funds and managed accounts. Generally, our funds and managed accounts' counterparties include prime brokers or commercial banks, which are subject to various laws and regulations in various jurisdictions that are designed to protect their customers in the event of their insolvency. In many cases, however, our funds and managed accounts may not be considered a 'customer' of these institutions for purposes of such laws and regulations. Further, a substantial portion of our funds and managed accounts' assets held by prime brokers, banks, custodians and other counterparties may not be held in segregated accounts and this may limit our funds and managed accounts' ability to exercise voting rights, pursue legal remedies or dispose of positions. In any event, the practical effect of the applicable contracts, laws and regulations and their application to the funds and managed accounts' assets if a counterparty becomes insolvent is subject to substantial limitations and uncertainties. In addition, the assets of our funds and managed accounts are generally not insured. Due to the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalise about the effect of a counterparty's insolvency on our funds and managed accounts and their assets.

Further, any interruption in our ability to rely on the services of these third parties, any failure or delay of a third party to perform its obligations under an agreement, or deterioration in their performance could impair the quality (including the timing) of the services we offer to our clients and investors in our funds and managed accounts. In addition, there is also a risk that unauthorised or otherwise inappropriate trading activity may occur in the trading accounts which are held with third parties. Furthermore, if the contracts with any of these third party service providers are terminated, we may not find alternative service providers on a timely basis or on equivalent terms or of similar quality. The occurrence of any of these events could have a material adverse effect on our Group's business, funds and managed accounts, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

In addition, the instruments that we trade are exchange-listed. Exchanges generally have the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject our funds and managed accounts to loss. Also, such a suspension could render it impossible for us to liquidate positions and thereby expose our funds and managed accounts to potential losses. In addition, there is no guarantee exchanges will always remain liquid enough for us to close out existing futures and options on futures positions. It is also

RISK FACTORS

possible that an exchange or exchange regulator could order the immediate liquidation and settlement of a particular futures and/or options on futures contract, or order that trading in a particular futures or options on futures contract be conducted for liquidation only.

Our business contingency and disaster recovery plans may not be effective to cater for all possible scenarios and unexpected events or disruptions, and failure to do so may adversely impact our operations

We have a business continuity and disaster recovery plan to guide us in the event of an internal or external emergency or significant business disruption, as described in the section headed “Business – Risk management – Internal control – Business continuity and disaster recovery” in this prospectus. However, there is no guarantee that the implementation of such plan in the event of major business disruptions may be effective in ensuring that our Group is able to carry on its business in a seamless manner and that our investment management and trading activities would not be affected in any way, and the failure to implement the plan smoothly may affect the efficiency with which we provide our services.

For example, while the Directors believe that our business continuity and disaster recovery plan enables us to be resilient generally from an operational perspective (in terms of trading in particular) against potential disruptions which may be caused by epidemic, pandemic and outbreak of infectious diseases such as the global pandemic coronavirus (2019-nCov) given the existing redundancies in terms of trading and execution capabilities and other measures in place (such as remote access to our trading systems) that would mitigate potential impact, certain of our marketing and investor relations activities which typically involve physical meetings or attending conferences have been curtailed, or reduced to video conferences or virtual meetings. Further, we are unable to guarantee that the operations of professional parties engaged by us to assist us in terms of such areas as administration of our funds, audit or reporting would not be affected. Should our business continuity and disaster recovery plan fail to be implemented, or fail to cater for all potential scenarios, our business operations and consequently, results of operations may be materially and adversely affected.

The fair value measurements of certain financial assets and financial liabilities require the use of estimates that are based on unobservable inputs, which inherently involves a certain degree of uncertainty

In accordance with HKFRS 13 Fair Value Measurement, some of our financial assets and financial liabilities are measured at fair value. For financial reporting purposes, fair value measurements of these financial assets and financial liabilities are categorised into Level 1, 2 or 3, based on, among other things, the degree to which the inputs to the fair value measurements are “observable”. The fair value of financial assets and financial liabilities classified in Levels 1 and 2 is determined based on observable prices and inputs, while the determination of the fair value of Level 3 financial assets is based on valuation techniques and various assumptions of inputs that are unobservable which inherently involve a certain degree of uncertainty. See Note 2.3(f) “Summary of significant accounting policies” to the Accountants’ Report as included in Appendix IA to this prospectus for further information.

During the Track Record Period, our Level 2 financial assets consisted of investment in our own fund. Our management determines the fair value of Level 2 financial assets based on the quoted price of NAV per share of the relevant funds as at balance sheet date. The NAV as well as the investment performance of our funds and managed accounts are subject to the trading strategies and the trading

RISK FACTORS

decisions made by our Group or the Investment Manager or the Sub-Managers; consequently, poor investment performance may materially and adversely affect the fair value of our Level 2 financial assets. Any changes in the fair value are recorded as our operating income or loss and therefore directly affects our results of operations as well as the financial position of our Group.

During the Track Record Period, our Level 3 financial assets consisted of investment in unlisted shares (namely, our investment in CSC Futures). Our management determines the fair value of our Level 3 investment in unlisted shares using market approach that incorporates unobservable inputs of discount rates for lack of marketability. See Note 31(c) to the Accountants' Report as included in Appendix IA to this prospectus for more information about the fair value measurement of our Level 3 equity investments. Changes in these unobservable inputs will affect the estimated fair value of our Level 3 financial assets, which leads to uncertainty in accounting estimation. A range of factors, many of which are beyond our control, may influence and cause adverse changes to the estimates we use and thereby affect the fair value of these assets and liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results and cause the fair value of our financial assets and liabilities to fluctuate substantially.

A substantial decrease in the fair value of our financial assets may have an adverse effect on our financial position and may cause us to recognise a significant fair value change in financial assets at fair value through profit or loss which may in turn adversely affect our results of operations.

RISKS RELATING TO MACROECONOMIC AND POLITICAL CONSIDERATIONS

Our business operations are concentrated in Hong Kong with a presence in the U.S., the Netherlands and the UK, our investors are located globally, and we trade globally, and any material deterioration in the economic, political and regulatory environment in Hong Kong, the U.S., the E.U. and/or globally, could materially and adversely affect our business and prospects

Our business and operations are substantially based in Hong Kong with a presence in the U.S., the Netherlands and the UK and our Group derived most of our income in Hong Kong and the U.S. 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 and the U.S., and other relevant jurisdictions.

As open economies, the domestic economies of Hong Kong and the U.S. are also each affected by many other unpredictable factors such as local and global economic, social, legal and political developments and environment, 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 and the U.S. in the future will have a positive effect on investors attitude towards us and/or on our business operations.

In addition, with investors based globally, any material deterioration or sudden change in the global or relevant regional or local economic, political, social, legal or regulatory environment or government policies (for instance, the upcoming U.S. election, any global pandemic such as COVID-19, any ongoing

RISK FACTORS

trade war between China and the U.S. and any local political turmoil or civil disobedience movements such as large-scale protests in Hong Kong) which are beyond our control may adversely affect investors' general market confidence as well as sentiments in the fund management industry, and thus their willingness to invest in our funds and managed accounts.

Risks of acts of God, acts of war and terrorism, natural disasters, riots and protests, pandemics, epidemics and other disasters and any escalation or intensification thereof

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 or pandemic 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, the Zika virus or any other epidemics or pandemics will not happen, and there is no assurance that the novel coronavirus pneumonia (COVID-19) global pandemic will not worsen. On 31 December, 2019, the PRC notified the World Health Organisation of pneumonia cases of an unknown origin. The outbreak of a novel coronavirus – designated COVID-19 – was identified and declared a public health emergency of international concern and subsequently a pandemic by the World Health Organisation. To date, cases of COVID-19 across the majority of the world's countries and territories have been reported to the World Health Organisation with the U.S. and Europe now the epicentres of the pandemic. Due to the pandemic nature of COVID-19, as of the Latest Practicable Date, many countries around the world have implemented stringent restrictions, including lockdowns, restrictions on the free movement of people, border controls, mandatory quarantines, and suspension and/or limiting of business operations. Such measures have resulted in significant disruptions to regional, national and global economic activities, and have affected major economies, including the U.S. and the E.U. Global economic growth is expected to be negatively impacted. Any global economic downturn or recession may result in dampened market outlook and sentiments, reduced investor confidence, and weakened liquidity and financial condition of current and potential investors. Although our trading strategy is to benefit from volatility market spikes (such as those attributable to the pandemic), significant deterioration in the global economy may nevertheless have a negative impact on demand for our fund management services, and may lead to existing investors in our funds and managed accounts reducing, redeeming, withdrawing or selling their investments, and/or lead to reduction or no new investments. Further, any downturn in Europe may have a negative impact on our aim of attracting investors from that region. In addition, although we have implemented measures to facilitate marketing and investor relations activities in light of COVID-19 (such as virtual meetings or video conferences), we cannot give any assurance that such measures will be as effective as physical meetings or conferences. As a result, our Group's business, results of operations and financial position or our business operations may be materially and adversely affected by COVID-19.

COVID-19 is the first pandemic caused by a coronavirus. Although governments worldwide have implemented various measures with the aim of reducing the spread of COVID-19, it is unclear how effective such measures in containing and preventing the further spread and escalation of COVID-19 in a globally interconnected world will be, and it is difficult currently to predict the severity and duration of its impact. Our Directors recognise that if the development of COVID-19 persists or further intensifies, which is beyond our control, the global economy may be adversely affected, and may result in further

RISK FACTORS

decrease in investor confidence. We cannot predict what the impact of COVID-19, and any escalations and/or mutations thereof, may be on public health, economies, business, financial and other markets, travel and communications, security, cyber security and other areas which may be impacted across the world. Further, even if the spread of the current COVID-19 slows or ceases, there is no assurance that another outbreak of COVID-19 or other similar disease outbreak will not happen in the future.

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, clients or fund investors, any of which may adversely impact our revenue, cost of sales, financial condition and results of operation or the trading price of our Shares. Potential war or terrorist attacks may also cause uncertainty and cause our business and funds to suffer in ways that we cannot currently predict.

In addition, our business operations might be affected by large-scale protests in Hong Kong as they may cause disruption to transportation or even force our Hong Kong trading office to close which may affect our operating activities carried out by our HK Sub-Manager. The frequency and magnitude of the effect brought by the large-scale protests are beyond our control and we could not guarantee that our business operations, in light of disruption, could be adequately supported by our U.S. Sub-Manager and our systems that allow remote access to our trading system. The occurrence of any large-scale protests may also have negative impact on general market sentiment, and may adversely affect investor sentiment and investment appetite, and may cause investors in our funds and managed accounts to reduce, redeem, withdraw or sell their investments as well as failure to attract new investors.

Further, the on-going trade war between the U.S. and China may adversely affect both the U.S. and China, which in turn may adversely affect Hong Kong, as well as the economic and political environment internationally, and could prevent our funds and managed accounts from meeting their investment objectives. The potential for future national and international responses to the trade war and other acts of war or hostility have created economic and political uncertainties, which may adversely affect the U.S. and Hong Kong, global financial markets and investor confidence in ways that cannot presently be predicted.

The occurrence of any of the above situations, either locally, regionally or globally, may have material adverse effects on our Group's business, results of operations and financial position or our business operations.

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

We carry out our operations through our licensed entities and offices in various locations including Hong Kong, the U.S. and the Netherlands and in the future, we intend to increase our presence in the United Kingdom. As such, we are subject to applicable tax legislation and regulations in the relevant jurisdictions and are liable to pay profit, corporate income and other taxes, as applicable.

There is no assurance that the prevailing tax laws and regulations in Hong Kong, the U.S., the Cayman Islands and in other jurisdictions where we operate 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.

RISK FACTORS

In addition, our business may be affected by changes in other laws and regulations that affect our Group, funds, clients, investors and suppliers. For example, as our investors are located globally, our business may be impacted by various local laws and regulations governing marketing of funds and investment in funds in jurisdictions where our investors are located.

Further, our funds are structured through the Cayman Islands. In particular, the master fund and one of the feeder funds of each of our two master-feeder structures (namely the True Partner Fund structure and the True Partner Volatility Fund structure) are incorporated in the Cayman Islands. Changes in laws and regulations in various jurisdictions, such as the EU, in relation to fund structures with companies incorporated in the Cayman Islands may affect the structure of our current and future funds. For example, in February 2020, the ECOFIN committee of finance ministers of the EU decided to include the Cayman Islands on the revised EU list of non-cooperative jurisdictions for tax purposes. Although European investors may generally invest in UCITS funds, there may be monitoring, auditing and taxation implications as well as other unforeseen consequences of decisions such as the EU decision. Further, such changes in laws and regulations may also affect the reputation of Cayman Islands structured funds, and thus investor sentiment and willingness to invest in our funds.

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 Bookrunners, (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: our Group's operational and financial performance; fluctuations in the market prices of our services; changes in earnings estimates or recommendations by financial analysts; the history of, and the prospects for, us and the fund management industry; changes in our key personnel, our past and present operations and the prospects for our business; changes in laws, regulations and policies affecting the fund management industry; potential litigation or regulatory investigation; and general market sentiment and global and local political and economic environments. 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

RISK FACTORS

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.

The market price of our Shares could fall during the period before the trading of the Shares begins

The Offer Price is expected to be determined on or about the Price Determination Date, while our Shares are expected to commence trading on the Stock Exchange after the Shares are delivered, which is expected to be six Business Days after the pricing date. As such, investors may not be able to sell or otherwise deal in our Shares during that period. The market price of our shares could fall between the time of sale and the time trading begins as a result of adverse market conditions or other adverse developments.

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 experience further dilution in the net tangible assets book value per Share (if the additional Shares are issued at a price lower than the net tangible assets book value per Share at the time of their issuance) or such new securities may confer rights and privileges that take priority over those conferred by existing Shares, including the Offer Shares.

Exercising options under the Pre-IPO Share Option Scheme or Share Option Scheme may dilute or reduce the shareholdings of the Shareholders

Our Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme. As at the Latest Practicable Date, options to subscribe for an aggregate of 8,997,804 Shares had been conditionally granted under the Pre-IPO Share Option Scheme and no option was granted under the Share Option Scheme. Following the grant of any options under the Share Option Scheme in the future and issue of new Shares which may be granted under the Pre-IPO Share Option Scheme and/or the Share 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 Pre-IPO Share Option Scheme and/or 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.

RISK FACTORS

We may make the Downward Offer Price Adjustment, which will result in a reduction of the Offer Price and the net proceeds available to us

We have the flexibility to make the Downward Offer Price Adjustment to set the final Offer Price at up to 10% below the bottom end of the indicative Offer Price range per Offer Share. It is therefore possible that the final Offer Price will be set at HK\$1.40 per Offer Share upon the making of a full Downward Offer Price Adjustment. In such a situation, the Share Offer will proceed and the Withdrawal Mechanism will not apply. If the final Offer Price is set at HK\$1.40, the estimated net proceeds we will receive from the Share Offer will be reduced to HK\$106.8 million and such reduced proceeds will be used as described in the section headed “Future Plans and Use of Proceeds section – Use of Proceeds” in this prospectus.

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 Substantial Shareholders of our Company are subject to a voluntary lock-up period, beginning on the date on which trading in our Company’s Shares commences on GEM, during which time the Substantial Shareholders are restricted from disposing of their Shares. While our Company 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 Substantial Shareholders will not dispose of the Shares held by them. We cannot predict the effect, if any, of any future sales of the Shares by any Substantial Shareholder, or the availability of Shares for sale by any Substantial Shareholder may have on the market price of the Shares. Sales of a substantial amount of Shares by any Substantial 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 Substantial 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 not taking into account any Shares which may be allotted and issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme or options which may be granted under the Share Option Scheme), the Substantial Shareholders will directly hold approximately 52.9% of the issued share capital of our Company. For more details of our Substantial Shareholders, please refer to the section headed “Substantial Shareholders” in this prospectus. Our Substantial Shareholders could have significant influence in determining the outcome of any corporate transaction or other matters which may be submitted to our Shareholders for approval (including, without limitation, mergers, privatisations, consolidations, the sale of all, or substantially all, of our assets, election of Directors, and other significant corporate actions). Our Substantial Shareholders have no obligation to consider the interests of our Company or the interests of other Shareholders, other than pursuant to a deed of non-competition entered into by our Substantial Shareholders in favour of our

RISK FACTORS

Company. Consequently, our Substantial Shareholders interests may not necessarily be in line with the best interests of our Company or the interests of other Shareholders, which may have a material and adverse effect on our Company's business operations and the market price of our Shares.

The remedies available to minority Shareholders under Cayman Islands law may differ from those available under Hong Kong law

Since our Company is incorporated under the laws of the Cayman Islands, our corporate affairs are governed by, among other things, our Memorandum and Articles of Association, the Cayman Companies Law and the common law of the Cayman Islands. As such, the rights of Shareholders to take action against our Directors, actions by minority Shareholders, and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands and the Articles of Association. The laws 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 precedents in Hong Kong. Such difference may mean that the remedies available to our minority Shareholders may be different from those available under Hong Kong law or the laws of other jurisdictions. Please see the section headed "Appendix III – Summary of the Constitution of our Company and Cayman Companies Law" in this prospectus for a summary of Cayman Companies Law.

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

No dividends were declared and paid by the Company during the Track Record Period. For more information, please see the section headed "Financial information – Dividends" in this prospectus.

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 approval of our Shareholders. Our Board's declaration of dividends will depend on, among other things, (i) our Group's results of operations and earnings, general financial condition, future prospects and development requirements, surplus, cash requirements, capital commitments and expenditure, development pipeline, prevailing economic environment, contractual restrictions, capital and other reserve requirements, Shareholders' interests, and dividends received from the Company's subsidiaries and associates; (ii) the provisions governing the declaration and distribution of dividends as contained in our constitutional documents and our dividend policy from time to time; and (iii) compliance with applicable laws and regulations and other conditions or factors which our Board deems relevant and having regard to the Directors' fiduciary duties. 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.

Although our Board currently intends to recommend the declaration of a dividend of no less than 30% of our profits available for distribution for the year ended 31 December 2020 (subject to Shareholder approval, the factors set out above and other factors our Board may deem relevant), we cannot give any assurance that any such dividend will be declared and distributed for the year ended 31 December 2020.

RISK FACTORS

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 hedge fund industry, and in particular funds adopting volatility trading strategies. 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 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 Bookrunners, 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, and 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 or be 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-

RISK FACTORS

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 out 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.

INFORMATION ON 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 Bookrunners.

The Share Offer comprises the Public Offer of 10,000,000 Shares initially offered by our Company and the Placing of 90,000,000 Shares (subject to reallocation on the basis set out under the section headed "Structure of the Share Offer" in this prospectus).

We have reserved the right to make the Downward Offer Price Adjustment to provide flexibility in pricing the Offer Shares. The ability to make the Downward Offer Price Adjustment does not affect our obligation to issue a supplemental prospectus and to offer investors a right to withdraw their applications if there is a material change in circumstances not disclosed in the prospectus.

If it is intended to set the final Offer Price at more than 10% below the bottom end of the indicative Offer Price range, the Withdrawal Mechanism will be applied if the Share Offer is to proceed.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus 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 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.

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 Bookrunners (for themselves and on behalf of other Underwriters) and our Company. The Share Offer is managed by the Joint Bookrunners.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (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 are 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. 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 or her 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.

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, including any new Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or options that have been or may be granted under the Pre-IPO Share Option Scheme and 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 100,000,000 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 have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme).

REGISTER OF MEMBERS AND HONG KONG 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, Appleby Global Services (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.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on or about Friday, 16 October 2020. Shares will be traded in board lots of 2,000 each. The stock code of our Shares is 8657.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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 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.

PROCEDURES FOR APPLICATION FOR PUBLIC OFFER SHARES

The procedures for applying for Public Offer Shares is set out in the section headed “How to apply for Public Offer Shares” in this prospectus.

EXCHANGE RATE CONVERSION

Certain amounts denominated in US\$ have been translated into HK\$ and vice versa at an exchange rate of US\$1: HK\$7.75, for illustration purposes only. Such conversions shall not be constructed as representations that amounts in HK\$ or US\$ were or may have been converted into those currencies and vice versa at such rate or any other exchange rates.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

WEBSITE

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

WAIVER FROM COMPLIANCE WITH THE GEM LISTING RULES

PRINTED PROSPECTUSES

Pursuant to Rules 16.04C, 16.09(3) and 16.12 of the GEM Listing Rules, we are required to make available copies of the prospectus and listing documents in printed form.

We do not intend to provide printed copies of this prospectus nor printed copies of any application forms to the public in relation to the Public Offer.

The proposed waiver from the requirements to make available printed copies of the prospectus is in line with recent amendments to the GEM Listing Rules relating to environmental, social and governance (“ESG”) matters. As the Hong Kong Stock Exchange noted on page 1 of its Consultation Conclusions on Review of the Environmental, Social and Governance Reporting Guide and Related Listing Rules dated December 2019, such amendments relating to ESG matters “echo the increasing international focus on climate change and its impact on business”. Electronic, in lieu of printed, prospectuses and application forms will help mitigate the environmental impact of printing, including the exploitation of precious natural resources such as trees and water, the handling and disposal of hazardous materials, and air pollution.

We also note that in light of the severity and uncertainty of the ongoing COVID-19 pandemic, the provision of printed prospectuses and printed application forms will elevate the risk of contagion of the virus through printed materials. Since Q1 2020 and up to the Latest Practicable Date, the government of Hong Kong has put in place various forms and degrees of social distancing measures to restrict public gatherings. While the government of Hong Kong may relax such restrictions as the local COVID-19 situation improves, it is possible that stricter social distancing measures may be necessary later if the number of cases of infection in the territory dramatically increases. In any event, it is impossible to accurately predict the development of the COVID-19 pandemic as of the Latest Practicable Date. In this uncertain environment, an electronic application process with a paperless prospectus will reduce the need for prospective investors to gather in public, including branches of the receiving bank and other designated points of collection, in connection with the Public Offer.

We have adopted a fully electronic application process for the Public Offer and we will not provide printed copies of this prospectus or printed copies of any application forms to the public in relation to the Public Offer. Our Hong Kong Branch Share Registrar has implemented enhanced measures to support **HK eIPO White Form** service, including increasing its server capacity and making available a telephone hotline to answer investors’ queries in connection with the fully electronic application process. For details of the telephone hotline and the application process, please see the section headed “How to apply for Public Offer Shares” in this prospectus.

We will publish a formal notice of the Share Offer on the Company’s website and the website of the Hong Kong Stock Exchange and in selected English and Chinese local newspapers describing the fully electronic application process including the available channels for share subscription, and advertise through the **HK eIPO White Form** Service Provider the electronic methods for subscription of the Offer Shares. We will also issue a press release to highlight the available electronic channels for share subscription. The Hong Kong Branch Share Registrar and the **HK eIPO White Form** Service Provider will also provide support in relation to the Public Offer (including providing sufficient enquiry hotlines for questions about the application for the Offer Shares and sufficient server capacity).

WAIVER FROM COMPLIANCE WITH THE GEM LISTING RULES

We have applied for, and the Hong Kong Stock Exchange has granted us, a waiver from the strict compliance with the requirements under Rule 16.04C, Rule 16.09(3) and Rule 16.12 of the GEM Listing Rules in respect of the availability of copies of the prospectus and application forms in printed form based on our specific and prevailing circumstances.

WAIVER IN RELATION TO EQUITY INTEREST ACQUIRED OR TO BE ACQUIRED AFTER THE TRACK RECORD PERIOD

Rules 7.03(2) and 7.03(4)(a) of the GEM Listing Rules require that a new listing applicant, amongst other things, to include in its accountants' report the results and balance sheet of any business or subsidiary acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited financial statements have been made up in respect of each of the two financial years immediately preceding the issue of the prospectus or since the incorporation of such subsidiary or the commencement of such business if this occurred within such two year period.

On 31 December 2019, a PRC subsidiary of our Company, Chengdu HuLi Management Consulting Limited (“**CHMC**”), and Nanhua Futures Co. Ltd (南華期貨股份有限公司, “**Nanhua Futures**”) each entered into a capital increase framework agreement (the “Capital Increase Framework Agreement”), which took effect on 1 January 2020, in connection with the acquisition by each of them of 30% equity interests in Holland & Muh Investment Management Co., Ltd. (浙江紅藍牧投資管理有限公司, “**Holland & Muh**”) (the “**Investment**”) by way of capital injection of RMB3.0 million into Holland & Muh. Nanhua Futures is an Independent Third Party, is not related to our Company's connected person (as defined under the GEM Listing Rules), and is not an existing Shareholder nor a close associate of any of our existing Shareholders. Before entering into the Capital Increase Framework Agreement, both Nanhua Futures and CHMC did not own any equity interest of Holland & Muh.

Holland & Muh is a PRC company licensed with the Asset Management Association of China (“**AMAC**”) as a privately-raised securities funds manager since 20 May 2014 and is an Independent Third Party to our Group. Following the acquisition, Holland & Muh intended to initially act as an adviser to fund management companies and, at a later stage, be involved in structuring new asset management products for specific clients. Our Company considered that the 30% investment in Holland & Muh would provide our Group with the opportunity to understand and explore the PRC financial services and fund management market. The consideration paid by CHMC was RMB3.0 million. The consideration was based on the proportion of the shareholding ratio of and contribution to the registered capital made by CHMC to Holland & Muh, and was negotiated on an arm's-length basis. The total cost of investment had been fully settled by our Group in May 2020.

As our Company is unable to comply with the relevant requirements as set out in Rules 7.03(2) and 7.03(4)(a) of the GEM Listing Rules, we have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 7.03(2) and 7.03(4)(a) of the GEM Listing Rules, on the following grounds and conditions:

WAIVER FROM COMPLIANCE WITH THE GEM LISTING RULES

1. The percentage ratios are all less than 5% by reference to the most recent fiscal year of the Track Record Period

The relevant percentage ratios calculated in accordance with Rule 19.06 of the GEM Listing Rules for the Investment are all less than 5% by reference to the most recent fiscal year of our Track Record Period. Accordingly, our Directors believe that the Investment has not resulted in any significant change in our financial position since March 31, 2020, and all information that is reasonably necessary for potential investors to make an informed assessment of our activities or financial position has been included in this prospectus. As such, a waiver from compliance with the requirements under Rules 7.03(2) and 7.03(4)(a) of the GEM Listing Rules would not prejudice the interests of the investing public.

2. Our Company is neither able to exercise any control, nor have any significant influence, over the underlying company or business

Our Company only holds and/or will only hold a minority equity interest in the Investment and does not control Holland & Muh's board of directors; and our Company currently expects this to remain the case for the foreseeable future. Our Company is also not involved in the day to day management of the Investment and only enjoys a modicum of strategic shareholder rights. The minority rights given to our Company are generally commensurate to our Company's status as a minority shareholder and are for the protection of our interests as a minority stakeholder in the Investment. These rights are neither intended, nor sufficient, to compel or require Holland & Muh to prepare or to disclose in the prospectus audited financial statements for the purposes of compliance with the relevant requirements under Rules 7.03(2) and 7.03(4)(a) of the GEM Listing Rules. It could be prejudicial and potentially harmful to our Company's relationships with our business partner, Holland & Muh and thus not in our commercial interests to do so. As our Company does not expect the Investment to result in any material changes to our financial position after the Track Record Period, our Company does not believe the non-disclosure of the information required pursuant to Rules 7.03(2) and 7.03(4)(a) of the GEM Listing Rules would prejudice the interest of the investing public.

3. It would be impracticable and unduly burdensome to our Company to include the accounts required by Rules 7.03(2) and 7.03(4)(a) of the GEM Listing Rules in this prospectus

As set out above, our Company could not require Holland & Muh to prepare or to disclose in the Prospectus audited financial statements for the purposes of compliance with the relevant requirements under Rules 7.03(2) and 7.03(4)(a) of the GEM Listing Rules.

Further, having considered (a) the time and resources required for our Company to negotiate with the vendors of Holland & Muh to obtain full access to the financial records required to complete the audit of Holland & Muh for the two financial years immediately preceding the proposed issuance of the prospectus by our Company; and (b) the time and resources required for the Reporting Accountants to audit such historical financial information, which is to be prepared in accordance with the accounting policies which are consistent with those of our Group, it is not possible to quantify the time and resources required by our Company and the Reporting Accountants to complete items (a) to (b) above. As such, our Company is of the view that it would be impracticable and unduly burdensome for our Company to prepare and include the financial information of Holland & Muh in the prospectus. In particular, it will require considerable time and resources for our Company and the Reporting Accountants to fully familiarize themselves with the accounting policies of Holland & Muh and compile the necessary

WAIVER FROM COMPLIANCE WITH THE GEM LISTING RULES

financial information and supporting documents for disclosure in this prospectus. Further, the capital increase framework agreement was only entered into on 31 December 2019 and took effect on 1 January 2020, it would be impracticable within the tight timeframe between the completion of the Investment and publication of this prospectus for the Company to prepare and disclose the audited financial information of Holland & Muh as required under Rules 7.03(2) and 7.03(4)(a) of the GEM Listing Rules.

4. Alternative disclosure of the Investment in this prospectus

We have provided alternative information in connection with the Investment in this prospectus in the section headed “Business – Our Investments” including information which would be required under chapter 17 of the GEM Listing Rules and which our Directors consider to be material, including, for example, descriptions of Holland & Muh’s principal business activities and the investment amount. Since each of relevant percentage ratios of the Investment is less than 5% by reference to the most recent fiscal year of our Track Record Period, the current disclosure is adequate for potential investors to make an informed assessment. Our Company does not expect to use any proceeds from the Listing to fund such Investment.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality
------	---------------------	-------------

Executive Directors

Ralph Paul Johan van Put	Flat C, 7/F, Tower 2 Dragons Range – Court C 33 Lai Ping Road Kau To Shan New Territories Hong Kong	Dutch
--------------------------	--	-------

Godefriedus Jelte Heijboer	House 48 Hong Lok Road West Hong Lok Yuen Tai Po New Territories Hong Kong	Dutch
----------------------------	---	-------

Tobias Benjamin Hekster	1336 Washington Avenue Wilmette, IL 60091 The USA	Dutch
-------------------------	---	-------

Roy van Bakel	Flat E, 7/F, Tower 1 Dragons Range – Court D 33 Lai Ping Road Kau To Shan New Territories Hong Kong	Dutch
---------------	--	-------

Independent non-executive Directors

Jeronimus Mattheus Tielman	Atjehstraat 76 2585 VM The Hague The Netherlands	Dutch
----------------------------	---	-------

Wan Ting Pai	Room 1, 11F No. 29, Lane 248, Section 4 Zhongxiao East Road Da'an District Taipei City 116 Taiwan	Taiwanese
--------------	--	-----------

Ming Tak Ngai	House C12 Ville De Jardin 33-35 Sui Wo Road Fo Tan Shatin New Territories Hong Kong	Chinese
---------------	---	---------

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

For further information regarding our Directors, please refer to the section “Directors and Senior Management”.

PARTIES INVOLVED IN THE SHARE OFFER

Sole Sponsor

Alliance Capital Partners Limited

Room 1502-03A, 15/F,
Wing On House
71 Des Voeux Road Central
Hong Kong

Joint Bookrunners

Alliance Capital Partners Limited

Room 1502-03A, 15/F,
Wing On House
71 Des Voeux Road Central
Hong Kong

BMI Securities Limited

Suites 2701-2708, 27/F,
Shui On Centre,
6-8 Harbour Road,
Wanchai,
Hong Kong

Kingsway Financial Services Group Limited

7/F, Tower One,
Lippo Centre,
89 Queensway,
Hong Kong

SPDB International Capital Limited

33/F, SPD Bank Tower,
1 Hennessy Road,
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Joint Lead Managers

Carlyon Securities Limited

Unit E 22/F Tower A Billion Centre
1 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

China On Global Capital Group Limited

Unit 1801 18/F West Tower
Shun Tak Centre
168–200 Connaught Road
Central
Hong Kong

Easy Securities Limited

11/F Continental Place
238 Des Voeux Road Central
Sheung Wan
Hong Kong

GLAM Capital Limited

Rooms 908–11, 9/F, Nan Fung Tower
88 Connaught Road Central & 173 Des Voeux Road
Central Central
Hong Kong

HGNH International Securities Co., Limited

17/F, Centre Point
181–185 Gloucester Road
Wan Chai
Hong Kong

Sinomax Securities Limited

2705–6, 27/F
Tower One, Lippo Centre
89 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Underwriters

(in alphabetical order)

Alliance Capital Partners Limited

Room 1502-03A, 15/F,
Wing On House
71 Des Voeux Road Central
Hong Kong

BMI Securities Limited

Suites 2701-2708, 27/F,
Shui On Centre,
6-8 Harbour Road,
Wanchai,
Hong Kong

Carlyon Securities Limited

Unit E 22/F Tower A Billion Centre
1 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

China On Global Capital Group Limited

Unit 1801 18/F West Tower
Shun Tak Centre
168-200 Connaught Road
Central
Hong Kong

Easy Securities Limited

11/F Continental Place
238 Des Voeux Road Central
Sheung Wan
Hong Kong

GLAM Capital Limited

Rooms 908-11, 9/F, Nan Fung Tower
88 Connaught Road Central & 173 Des Voeux Road
Central Central
Hong Kong

HGNH International Securities Co., Limited

17/F, Centre Point
181-185 Gloucester Road
Wan Chai
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Kingsway Financial Services Group Limited

7/F, Tower One,
Lippo Centre,
89 Queensway,
Hong Kong

Sinomax Securities Limited

2705-6, 27/F
Tower One, Lippo Centre
89 Queensway
Hong Kong

SPDB International Capital Limited

33/F, SPD Bank Tower,
1 Hennessy Road,
Hong Kong

Legal advisers to the Company

As to Hong Kong law:

Kwok Yih & Chan

Suites 2103-05, 21st Floor
9 Queen's Road Central
Hong Kong

As to Cayman Islands law:

Appleby

Suites 4201-03 & 12
42/F One Island East
Taikoo Place
18 Westlands Road
Quarry Bay
Hong Kong

As to U.S. law:

Thompson Coburn LLP

55 East Monroe Street
37th Floor
Chicago, IL 60603
U.S.

**Legal advisers to the Sole Sponsor and
Underwriter(s)**

As to Hong Kong law:

Charltons

12/F, Dominion Centre
43-59 Queen's Road East
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Auditor and reporting accountants

PKF Hong Kong Limited
Certified Public Accountants
26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

Receiving bank

DBS Bank (Hong Kong) Limited
16/F, the Centre
99 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

Registered office in the Cayman Islands	P.O. Box 31119 Grand Pavilion Hibiscus Way 802 West Bay Road Grand Cayman KY1-1205 Cayman Islands
Head office and principal place of business in Hong Kong	Suites 2902-3, 29/F Tower 2 The Gateway Harbour City Kowloon Hong Kong
Company's website	www.truepartnercapital.com <i>(Note: the information contained on this website does not form part of this prospectus)</i>
Company secretary	Ms. Siow Grace Yuet Chew (ICSA) (HKICS) 54/F, Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives	Mr. Ralph Paul Johan van Put Flat C, 7/F, Tower 2 Dragons Range - Court C 33 Lai Ping Road Kau To Shan New Territories Hong Kong Mr. Godefriedus Jelte Heijboer House 48 Hong Lok Road West Hong Lok Yuen Tai Po New Territories Hong Kong

CORPORATE INFORMATION

Compliance officer	Mr. Roy van Bakel Flat E, 7/F, Tower 1 Dragons Range - Court D 33 Lai Ping Road Kau To Shan New Territories Hong Kong
Audit committee	Ms. Wan Ting Pai (<i>Chairwoman</i>) Mr. Jeronimus Mattheus Tielman Mr. Ming Tak Ngai
Remuneration committee	Ms. Wan Ting Pai (<i>Chairwoman</i>) Mr. Ralph Paul Johan van Put Mr. Godefriedus Jelte Heijboer Mr. Jeronimus Mattheus Tielman Mr. Ming Tak Ngai
Nomination committee	Ms. Wan Ting Pai (<i>Chairwoman</i>) Mr. Ralph Paul Johan van Put Mr. Godefriedus Jelte Heijboer Mr. Jeronimus Mattheus Tielman Mr. Ming Tak Ngai
Compliance adviser	Alliance Capital Partners Limited Room 1502-03A, 15/F., Wing On House, 71 Des Voeux Road Central Hong Kong
Cayman Islands principal share registrar and transfer office	Appleby Global Services (Cayman) Limited 71 Fort Street PO Box 500 George Town Grand Cayman KY1-1106 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Principal banker	DBS Bank (Hong Kong) Limited G/F, The Center 99 Queen's Road Central Hong Kong

INDUSTRY OVERVIEW

This section contains information which is derived from financial market and industry sources as well as a commissioned report from an independent hedge fund analyst. 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 contained in this section was materially extracted from the Industry Report prepared by Mr. Christophe Campana, and were derived through data and intelligence gathering and research carried out by him. However, the relevant information has not been independently verified by us, the Sole 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 (excluding Mr. Christophe Campana) 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.

SOURCES OF INFORMATION AND RESEARCH METHODOLOGY

We have commissioned Mr. Christophe Campana, an independent hedge fund industry analyst based in Switzerland, to produce a report and analysis of volatility strategies in the context of the broader hedge fund industry and to assess the competitive position of the Group. Mr. Campana received a total fee of CHF 15,000, and our Directors consider that such a fee reflects market rates. The Industry Report has been prepared by Mr. Campana, who is an Independent Third Party. Except as otherwise noted, the information and statistics set forth in this section have been extracted from the Industry Report. The payment of such amount was not conditional on our Group's successful Listing or on the results of the Industry Report. Our Directors confirm that Mr. Campana is independent and not connected with our Group in any way.

Mr. Campana is an independent hedge fund industry analyst with over a decade of experience researching and investing in volatility strategies and hedge funds more broadly. Mr. Campana was previously a Senior Portfolio Manager and Hedge Fund Analyst at SYZ Asset Management in Geneva from 2014 to 2019. He was responsible for analysing Macro, CTA and Relative Value strategies, including volatility strategies. Mr. Campana was also the Deputy Portfolio Manager for the Oyster Alternative Uncorrelated Fund and the Oyster Alternative Multi-Strategy Fund. During Mr. Campana's tenure as Deputy Portfolio Manager, the Oyster Alternative Uncorrelated Fund received the 2019 HFM European Award for a Specialist Fund of Hedge Funds.¹ Prior to joining SYZ Asset Management, Mr. Campana was a Senior Hedge Fund Analyst at EFG Asset Management from 2009 to 2014, where he was responsible for analysing Macro, CTA and Relative Value strategies, including volatility strategies. Prior to EFG Asset Management, Mr. Campana was at HSBC Private Bank. Mr. Campana has worked in London, New York and Geneva and holds the Chartered Alternative Investment Analyst (CAIA) charter, the most widely recognised professional qualification specific to alternative investments.²

The information contained in the Industry Report is derived through data and intelligence gathering which includes: (i) desk research from a wide range of specialist sources; and (ii) primary research through discussions with industry contacts. Intelligence gathered has been analysed and assessed by Mr. Campana based on his extensive experience analysing and investing in volatility strategies and other hedge funds on behalf of sophisticated end investors. The hedge fund industry largely consists of privately owned firms operating private vehicles that do not publish information publicly regarding their strategies. Where specific industry data such as assets under management and specific peer firms have been referenced, information has been sourced entirely from freely available public information, with sources provided.

¹ Source: SYZ Asset Management: <https://www.syzassetmanagement.com/en/insight/may-august-2019>

² Please see <https://caia.org/programs/the-caia-charter> for further information

INDUSTRY OVERVIEW

Overview of the Hedge Fund Industry

Hedge funds can be characterised as actively managed investment vehicles that seek to deliver attractive absolute and risk-adjusted returns to investors. Hedge funds can employ a wide range of trading strategies and trade a variety of instruments. There is typically a greater use of derivatives and leverage than seen in traditional long only investment products, allowing a wider range of investment strategies to be pursued and thus a wider range of potential sources of outperformance.

Alfred Winslow Jones is generally credited with creating the first equity hedge fund in the 1940s, and hedge funds gradually grew in popularity as performance attracted new investors and managers expanded into new areas³. As of the end of Q1 2020, Preqin estimates there to be over 16,000 hedge funds run by over 6,000 different fund managers and accounting for over US\$3.3 trillion in assets under management⁴, though estimates vary across data providers. This compares to over US\$70 trillion in worldwide assets under management for the asset management industry.⁵

Hedge fund managers have a significant presence in the Americas, Europe and Asia. The largest concentration of managers is in North America (4,224 managers and US\$2,605 billion in AUM), followed by Europe (1,181 managers and US\$619 billion in AUM). AIMA/Preqin recorded 875 fund managers who have their headquarters in Asia-Pacific, with a combined US\$99 billion in AUM, and a further 275 managers in the rest of the world with a combined US\$21 billion in AUM.

Hedge fund investors are predominantly institutional. As of May 2020, AIMA/Preqin estimates that pension funds are the largest investors in hedge funds, accounting for 42% of industry assets under management. Other significant investors include endowments (11%), foundations (9%), sovereign wealth funds (8%), asset managers (8%), insurance companies (6%), banks (5%), wealth managers (4%) and family offices (2%).⁶

As noted in a 2019 Institutional Investor article describing research by JP Morgan, investors' reasons for investing in hedge funds include the generation of "alpha", portfolio diversification and the ability to access niche opportunities.⁷ "Alpha" is typically defined as the return of an investment in excess of that derived from its exposure to a specific benchmark (commonly, the MSCI World Index or the S&P 500 Index) or in excess of its exposure to a set of easily accessible return factors (for example, the S&P 500 Index, the S&P 500 Growth Index and the S&P 500 Value Index).

3 Source: HedgeCo.Net: <http://www.hedgeco.net/hedgeducation/hedge-fund-articles/the-history-of-hedge-funds/>; CFO Magazine: <https://www.cfo.com/banking-capital-markets/2007/03/a-short-history-of-hedge-funds/>

4 Sources: AIMA/Preqin: <https://www.aima.org/educate/hedge-fund-industry-data.html>; BarclayHedge: <https://www.barclayhedge.com/solutions/assets-under-management/hedge-fund-assets-under-management/hedge-fund-industry>

5 Source: Industry AUM estimate from BCG and is as of 2019: <https://www.bcg.com/publications/2019/global-asset-management-will-these-20s-roar.aspx>

6 Source: AIMA/Preqin: <https://www.aima.org/educate/hedge-fund-industry-data.html>

7 <https://www.institutionalinvestor.com/article/b1dsncmjbtkwck/Why-Investors-Keep-Coming-Back-to-Hedge-Funds>

INDUSTRY OVERVIEW

For much of their history, regulatory frameworks and hedge fund managers' policies had the effect of limiting access to hedge funds to institutions and wealthy individuals. However, in recent years the growth of liquid alternatives products in UCITS and '40-act mutual fund format⁸ has enabled a much wider range of investors to access hedge funds, including retail investors through appropriate channels. However, most hedge fund industry assets under management continue to be in vehicles that are not directly accessible to retail investors, and most hedge fund investors continue to be professional investors.

Over time, several firms have created hedge fund indices to assist investors in understanding the industry. Index data varies in length, but for some strategies goes back to 1980, providing over 40 years of history.⁹ Major index providers include BarclayHedge, Credit Suisse, Eurekahedge and HFR, all of whom publish indices offering over 20 years of data for a wide range of strategies.¹⁰ For relative value volatility strategies specifically, CBOE Eurekahedge indices, published by Eurekahedge and the Chicago Board Options Exchange ("CBOE"), are some of the metrics most commonly used to assess volatility strategies by investors active in the segment. Most data concerning volatility hedge fund managers are private and not readily publicly available. To make comparisons, existing investors and prospects will use private data (which they are usually contractually obliged to keep private) and public sources of information, the CBOE Eurekahedge indices being one of the most well-known. The CBOE Eurekahedge indices represent a composite of the performance of relevant funds whose individual performance is typically not publicly available.

Recent Developments in Hedge Funds

Over the last 10 years, the hedge fund industry AUM has grown considerably. Using BarclayHedge data, industry AUM have grown from US\$1.4 trillion at the end of 2009 to US\$2.9 trillion as of the end of Q1 2020. Prequin has a higher estimate for industry AUM of US\$3.3 trillion, but does not publicly publish as long a history of AUM data. Using BarclayHedge data through the end of 2019, hedge fund industry AUM has grown at an annualised rate of 9% per year. Industry AUM grew even faster in the previous decade, from US\$214 billion at the end of Q1 2000, to US\$1.4 trillion at the end of 2009.

Prior to the 2008 financial crisis, hedge fund AUM grew, with estimated inflows over 2001 to 2007 annualising at 25% of AUM per year¹¹, making hedge funds a high growth industry. Positive performance from hedge funds was further contributing to asset growth. Following the financial crisis, estimated net flows turned negative, but there were also significant shifts in market share between hedge funds, with large growth opportunities for some, and tougher times for others. Since 2013, the hedge fund industry as a whole has resumed positive inflows, with annualised inflows of approximately 9% of previous year-end AUM per year from 2013 to 2019¹². Overall hedge fund AUM has grown faster, helped by positive performance. As such, while growth has slowed, hedge funds have continued to grow faster than the overall global economy.

8 That is, a pooled investment vehicle in the United States of America offered by a registered investment company as defined in the 1940 Investment Companies Act. See <https://www.sec.gov/investment/fast-answers/divisionsinvestmentinvcoreg121504htm.html> and <https://www.managedfunds.org/wp-content/uploads/2013/09/Citi-40-Act-Funds-White-Paper-July-2013-2.pdf> for further information

9 For example, the Barclays CTA index starts in 1980; <https://portal.barclayhedge.com/cgi-bin/indices/displayCtaIndex.cgi?indexCat=Barclay-CTA-Indices&indexName=Barclay-CTA-Index>

10 Sources: Hedge Fund Research <https://www.hedgefundresearch.com/>; BarclayHedge <https://portal.barclayhedge.com/cgi-bin/indices/displayIndices.cgi?indexID=hf>; Eurekahedge <http://www.eurekahedge.com/indices/Credit> Suisse <https://lab.credit-suisse.com/>

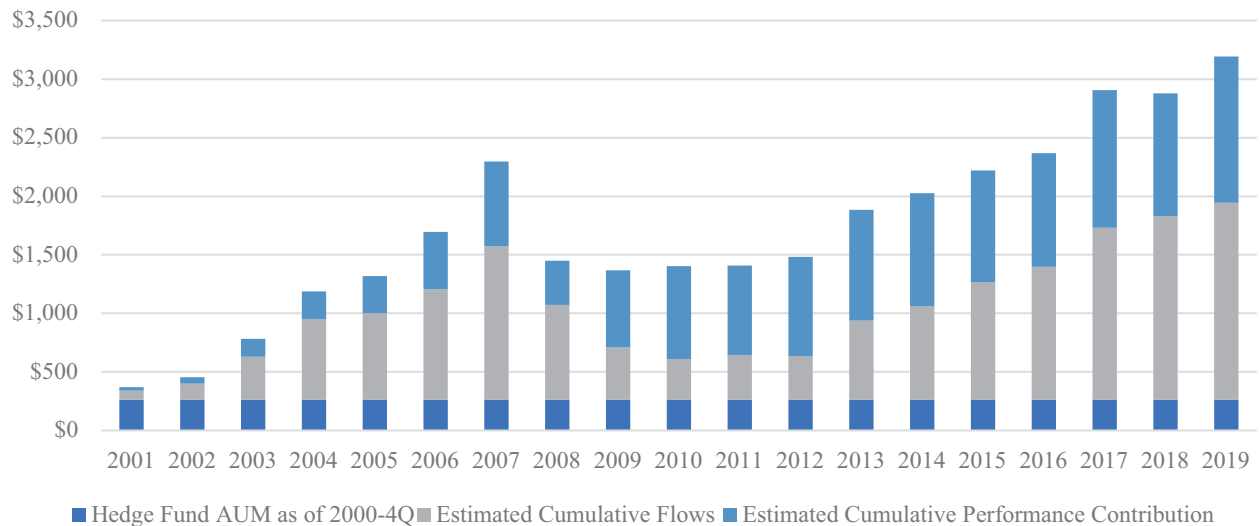
11 Sources: Eurekahedge, BarclayHedge and author's calculations

12 The hedge fund industry AUM, per BarclayHedge data, fell 0.9% in 2018. However during the year, the Eurekahedge Asset Weighted Index (an asset-weighted index which includes returns of over 1,500 hedge funds, and previously named Mizuho-Eurekahedge Index until May 2020) which is considered representative of overall industry performance was down -4.3%. This was primarily due to (i) exposure to the general performance of equity markets (i.e. positive beta) in a year in which the MSCI World Total Return Hedged USD fell by -6.6%; and (ii) a loss attributable to negative "alpha", i.e. a negative return from sources other than equity market exposure. As the change in assets was less than the negative performance impact, the implication is that hedge funds would appear to have received positive net inflows in 2018 despite the reduction in AUM. Sources: Eurekahedge, BarclayHedge author's calculations

INDUSTRY OVERVIEW

BarclayHedge data suggests that hedge fund industry AUM has fallen in Q1 2020 in line with hedge fund performance. As a group, hedge funds have a positive beta to equity markets, which experienced a -19.8% fall in Q1 2020¹³. The Eurekahedge Asset Weighted Index (an asset-weighted index which includes returns of over 1,500 hedge funds, and previously named Mizuho-Eurekahedge Index until May 2020) was down -10.1% in Q1 2020 and BarclayHedge data suggests that hedge fund AUM fell 10.5% in Q1 2020. Something similar happened in 2018, when hedge fund AUM fell -0.9% for the year and the index was down -4.3%. The industry had modest negative performance but asset growth through the third quarter of 2018, and then negative performance and outflows in the fourth quarter of 2018 when equities were down -12.9%. Hedge fund AUM saw strong growth in 2019, aided by positive performance and net inflows.¹⁴ Eurekahedge data suggests small positive inflows in Q1 2020, followed by outflows in April 2020 and inflows in May and June 2020.¹⁵ BarclayHedge has not yet published its estimate of the second quarter of 2020 hedge fund AUM, but with hedge funds (based on early index estimates) and markets up in the period and press reports suggesting that a number of large, previously closed hedge funds have taken in new capital in the second quarter of 2020, AUM growth seems likely for the quarter as a whole. Given the volatility in quarterly data, below we focus primarily on annual data to identify longer-run trends.

Hedge Fund AUM – Annual Growth and Estimated Performance/Flow Contributions



13 MSCI World Total Return Hedged USD; source: Bloomberg

14 Sources: Eurekahedge, BarclayHedge and author's calculations

15 Sources: <https://www.eurekahedge.com/Research/Index/June-2020>; <https://www.eurekahedge.com/Research/Archive>

INDUSTRY OVERVIEW

Following the 2008 global financial crisis and the high-profile Madoff fraud which was uncovered in December 2008¹⁶, hedge fund investors increased their focus on operational due diligence and compliance. The net effect has been that the minimum viable size for a hedge fund to be profitable has increased, as investors expect managers to expend additional resources in-house at an earlier stage in their life cycle. Together with the increasing dominance of institutional investors in the investor base (who typically have larger allocation sizes than other investors), larger hedge funds have been able to capture more assets under management as the industry has continued to grow.

Another factor that has favoured larger managers is the increase in data availability and reduction in the cost of data processing in recent years. This has greatly increased the use of quantitative analysis within asset management and increased the investment required to be differentiated. The ability to combine technological and human expertise is likely to be a driver of success over the long-term and it is important that managers invest appropriately in this area.

There has been increased pressure on the fees which fund managers can charge. An AIMA survey in 2019 noted the average hedge fund management fee of 1.3% and performance fee of 18%,¹⁷ below the traditional 2% management fee and 20% performance fee model. However, these averages masks a wide range of fee structures, with some managers charging more than 2%/20%, and some charging substantially less. Fees are ultimately a function of the supply of managers who are able to offer similarly attractive returns to investors, and investors' demand for that return stream.

Pressure on fees has particularly been prevalent for funds earlier in their lives or with lower AUM, as managers need to raise AUM and develop a track record in order to be marketable to institutional investors. As a result, profit margins typically increase as funds grow and mature, they command more pricing power, have higher operating leverage and are able to efficiently internalise services such as marketing. Structurally, there is also fee pressure on strategies that investors believe to be partly replicable through other, cheaper products, such as those investors believe to be partly equity long/short. Hedge fund investors are increasingly sophisticated in their analysis of performance, and may identify static risk premia¹⁸ or factors (such as equity market exposure, or price to earnings ratios of basket of stocks) as drivers of performance.

A wide range of risk premia and factor investing products have emerged that offer exposure to simple, systematic approaches that aim to replicate some of the strategies historically employed by hedge funds. These strategies may seek to capture traditional risk premia such as equity risk, or alternative risk premia, such as value, carry and momentum.¹⁹ There is ongoing debate as to the long-term properties of these strategies, and considerable variation in implementation and performance in practice. As a group, their emergence has increased the focus on hedge funds' ability to generate returns that are difficult to replicate in other types of products.

As of 2019, International Asset Management (IAM)²⁰ estimates there is approximately US\$500 billion in AUM in risk premia-like strategies.²¹ Static, easier to replicate strategies may face continued fee pressure over time. Hedge funds that are able to withstand downward pressure on fees tend to be characterised by offering differentiated levels and sources of investment return that are harder to replicate. More dynamic, trading orientated strategies with varying exposures are generally more difficult to replicate outside of a hedge fund format and are also likely to face less pressure from this angle. Having a higher dependence on technology, infrastructure or market relationships, which makes replication harder and more expensive, can also be beneficial factors. Strategies such as that of the Group, which are difficult to replicate, highly dynamic and have a high dependence on technology and infrastructure, should be better able to withstand pressure on fees, providing their absolute and relative returns continue to be attractive to investors.

16 Sources: BBC <http://news.bbc.co.uk/2/hi/business/7783386.stm>; Encyclopaedia Britannica: <https://www.britannica.com/biography/Bernie-Madoff>

17 Source: AIMA <https://www.aima.org/educate/aima-research/in-harmony.html>

18 Risk premia refers to the amount by which the return of a risky asset is expected to outperform the known return on a risk-free asset, with the return being compensation for bearing a specific type of risk. The best known example is the equity risk premium

19 A detailed discussion of these approaches is outside the scope of this report, but interested readers may wish to refer to sources such as CFM's 2014 paper: "Risk Premia: Asymmetric Tail Risks and Excess Returns" <https://www.cfm.fr/assets/ResearchPapers/2014-Risk-Premia-Asymmetric-Tail-Risks-and-Excess-Returns.pdf>

20 IAM is one of the oldest independent asset management firms specialising in hedge funds and alternative UCITS investments and has been investing in alternative strategies since 1989. Please note that the Group has a fund on the IAM Investment Alternative UCITS Platform, the IAM True Partner Volatility UCITS Fund.

21 Source: IAM

INDUSTRY OVERVIEW

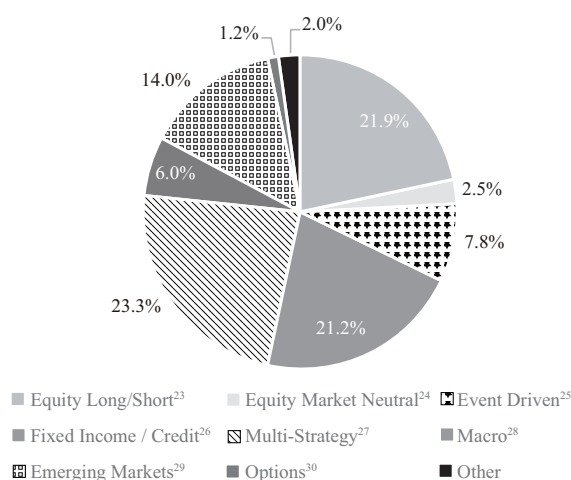
Whether the “20 business days” of notice period in respect of the redemption of investments is within the industry norm

Redemption terms for hedge funds vary. Typically, investors expect liquidity terms to be similar to peers and to be appropriate for the liquidity of the instruments traded. As noted in the joint AIMA/CAIA paper “Understanding Liquidity in Alternative Investment Funds”, published in September 2018, as of 2017, the latest data they have available, the average redemption frequency for offshore relative value funds is to allow redemptions every 30 calendar days (i.e., approximately monthly), with an average redemption notice period of 26 calendar days. 26 calendar days is approximately 20 business days (which applies to all our funds except the UNCITS fund products in respect of which the daily liquidity redemption notice period is typically one day to a few days). As noted in the AIMA/CAIA paper, the large majority (just over two-third) of relative value funds do not have lock-up periods.

Overview of Volatility Strategies

A split of hedge fund AUM by strategy is shown below:²²

Hedge Fund AUM as of 2020-1Q



²² Source: BarclayHedge. Indices composition can and does change over time including during volatile periods when managers stop reporting

²³ Equity Long/Short: This directional strategy involves equity-oriented investing on both the long and short sides of the market. The objective is not to be market neutral. Managers have the ability to shift from value to growth, from small to medium to large capitalisation stocks, and from a net long position to a net short position. Managers may use futures and options to hedge. The focus may be regional or sector specific

²⁴ Equity Market Neutral: This investment strategy is designed to exploit equity market inefficiencies and usually involves being simultaneously long and short matched equity portfolios of the same size within a country. Market neutral portfolios are designed to be either beta or currency neutral, or both. Well-designed portfolios typically account for industry, sector, market capitalisation, and other exposures. Leverage is often applied to enhance returns

²⁵ Event Driven: This strategy seeks to capture anticipated price movement deriving from a significant pending or anticipated corporate event such as a merger, corporate restructuring, liquidation, bankruptcy or reorganisation. Strategies typically have a focus on announced events in equity and credit securities and may hold both long and short positions. Funds in this category are sometimes known as “special situations” strategies

²⁶ Fixed Income/Credit: Strategies in this group trade long and short positions in fixed income securities and derivatives, which may include instruments such as government bonds, government bond futures and options, interest rate swaps and swaptions, corporate bonds, structured credit and credit derivatives. Funds may be market neutral or have a long bias. Within this group there are two main sub-groups: (i) funds with a focus on relative value trading in lower risk instruments such as government bonds, government bond futures and interest rate swaps; and (ii) funds with a focus on credit trading. Those trading lower risk instruments tend to use higher leverage and are more likely to seek to be market neutral. Credit trading funds more typically have a long bias. Both groups seek to exploit perceived market inefficiencies in their respective areas, deriving their views from macro and micro research

²⁷ Multi-Strategy: Multi-Strategy funds are characterised by their ability to dynamically allocate capital among strategies falling within several traditional hedge fund disciplines. The use of many strategies, and the ability to reallocate capital between them in response to market opportunities, means that such funds are not easily assigned to any traditional category

²⁸ Macro: Managers carry long and short positions in any of the world’s major capital or derivative markets. These positions reflect their views on overall market direction as influenced by major economic trends and or events. The portfolios of these funds can include stocks, bonds, currencies, and commodities in the form of cash or derivatives instruments. Most funds invest globally in both developed and emerging markets

²⁹ Emerging Markets: This strategy involves equity or fixed income investing in emerging markets around the world. Because many emerging markets do not allow short selling, nor offer viable futures or other derivative products with which to hedge, emerging market investing often employs a long-only strategy

³⁰ Options: Options strategies seek to profit from trading options, either through exposure to the volatility risk premium (i.e. selling volatility) or by seeking to anticipate where volatility is overpriced and underpriced. Strategies mostly commonly trade equity options but may also have exposure to options in other asset classes

INDUSTRY OVERVIEW

Volatility strategies can be classified by BarclayHedge under multiple categories including the “Options” strategies group. Some types of volatility strategies, notably tail risk strategies, fall under “Other”, grouped with a range of other different types of strategies. Other volatility strategies are likely to be housed within and classified as “Multi-Strategy” funds. Funds generally self-classify the category in which they fall under. As the BarclayHedge Option Strategies Index strategy description appears to mostly focus on short volatility strategies³¹, it is possible that some volatility funds may choose to report under other categorisations rather than “Options” as they may feel other strategy descriptions are more appropriate for their funds. These AUM figures are also likely to exclude options overlay and more risk premia like options strategies that are not typically classified as hedge funds. Volatility strategies can also compete with larger sub-strategies with similar return characteristics relative to equities or bonds. Investors increasingly look through strategy labels such as “relative value” to the underlying return characteristics of strategies. For example, hedge funds with a structural long equity bias may be grouped with long only equity positions and private equity positions to create a single equity biased grouping. Similarly, hedge funds that provide returns with low or negative correlation to equities, i.e. that are diversifiers in a portfolio, such as macro, managed futures and some relative value and volatility strategies, may also be grouped together, as they can perform a similar portfolio role, i.e. to provide absolute returns that are not dependent on rising equity markets. This can open up a wider potential role for volatility strategies in a portfolio, as an investor may not require a dedicated volatility ‘bucket’ to consider allocating. Q1 2020 demonstrates how volatility strategies can potentially perform a diversifying role, and may be a catalyst for some new investors to look at such strategies.

As such, “Options strategies” AUM may not be a definitive indicator of volatility strategies AUM in a broad sense. While it is believed that BarclayHedge produces good quality data, precise data for the broad definition are simply not available as most assets reside in private funds that do not publicly report data. For the purposes of this report, we will use the “Options” strategies AUM as a proxy, but focus on wider industry data and multi-year averages when seeking to identify trends. An over-focus on Options strategies AUM alone may understate the overall AUM and potential AUM in volatility strategies and overstate the year-on-year variation in AUM. As an alternative approach for a higher level of strategy categorisation, many volatility strategies, including the True Partner Fund, can also be categorised as “relative value” (along with a number of other types of strategies in this classification). AIMA/Prequin estimates AUM of US\$322.6 billion in relative value strategies as of Q1 2020³². Unfortunately, the proportion of this relative value strategies AUM that is in volatility relative value strategies is not available.

31 Source: BarclayHedge: <https://portal.barcleyhedge.com/cgi-bin/indices/displayHfIndex.cgi?indexCat=Barclay-Hedge-Fund-Indices&indexName=Option-Strategies-Index>

32 Source: <https://www.aima.org/educate/hedge-fund-industry-data.html>

INDUSTRY OVERVIEW

AUM and AUM growth rate of the fund management industry, hedge fund industry and option strategies

AUM in hedge funds and options strategies have grown faster over the last five years and 10 years than AUM for the broader fund management industry. In making comparisons in terms of AUM growth, looking at multi-year trends is likely to be more useful than focusing on changes in a single year. Within the overall fund management industry, most products are “long only”, so AUM growth is in large part driven by the performance of the underlying asset classes. Within the hedge fund industry, including options strategies, underlying market performance matters less, so net sales (asset flows) and alpha (i.e. non-market driven performance) can be bigger drivers. Over multi-year periods, these effects should somewhat smooth out for both hedge funds and long only funds. The AUM data for “options strategies” is subject to potential classification limitations, so this data should be looked at in conjunction with the changes in overall hedge fund industry AUM.

The following tables set out the growth in AUM and annualised growth in AUM of the fund management industry, the hedge fund industry and funds generally adopting options strategies:

AUM and Growth: Options Strategies and All Hedge Funds vs Fund Management Industry 2001 to 2019³³

	AUM (US\$ billions)		
	Fund management industry	Hedge fund industry	Options strategies
End of 2019	\$54,883	\$3,194	\$42
End of 2014	\$38,142	\$2,025	\$11
End of 2009	\$26,675	\$1,367	\$5

Annualised Growth in AUM (%)

		Fund management industry	Hedge fund industry	Options strategies
Last 5 years	2014–19	7.5%	9.5%	31.8%
Previous 5 years	2009–14	7.4%	8.2%	15.3%
Last 10 years	2009–19	7.5%	8.9%	23.3%

Data sources: To estimate AUM in the general fund management industry, data from the International Investment Funds Association on worldwide AUM in regulated open-ended funds has been used. This includes equity funds, bond funds, money market funds and other types of funds³⁴. Regulated funds account for the large majority of global fund management industry AUM. For hedge funds and options strategies, data from BarclayHedge, as referenced in the section headed “Industry Overview” in the prospectus has been used³⁵. Note that the time series history available for fund management industry AUM data is shorter than that for the hedge fund industry AUM.

The following charts illustrate the AUM and AUM growth of funds defined as options strategies and that of the hedge fund industry as a whole. As can be seen from the charts, longer-term trends in both hedge fund and options strategies AUM have been positive, albeit year-on-year data has shown more variation, particularly for options strategies.

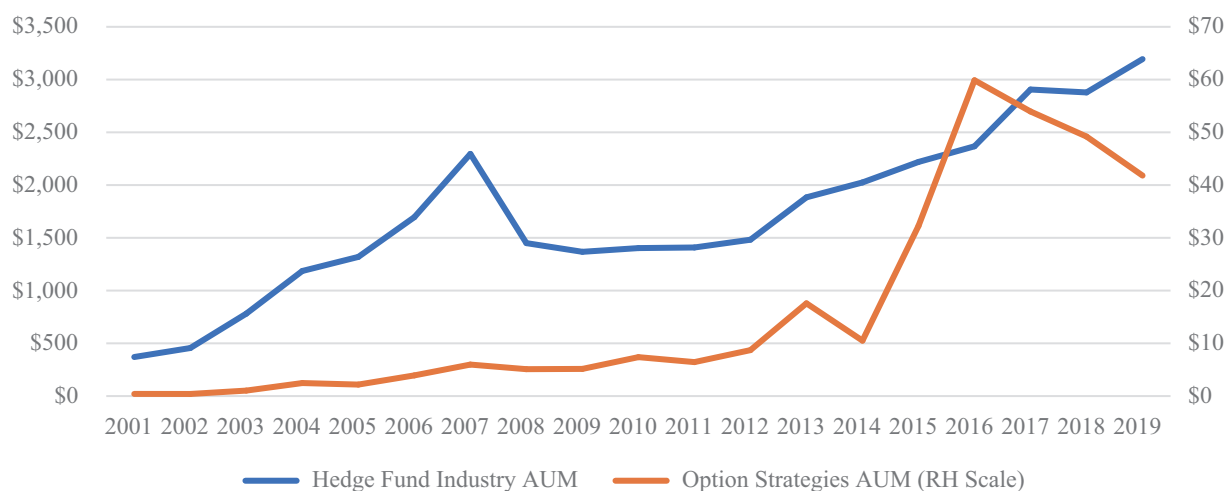
33 Source: BarclayHedge: <https://www.barclayhedge.com/solutions/assets-under-management/hedge-fund-assets-under-management/options-strategies/https://www.barclayhedge.com/solutions/assets-under-management/hedge-fund-assets-under-management/>

34 Source: International Investment Funds Association: https://www.iifa.ca/industry_statistics/index.html, for descriptions see Investment Company Institute Factbook: https://www.ici.org/pdf/2020_factbook.pdf

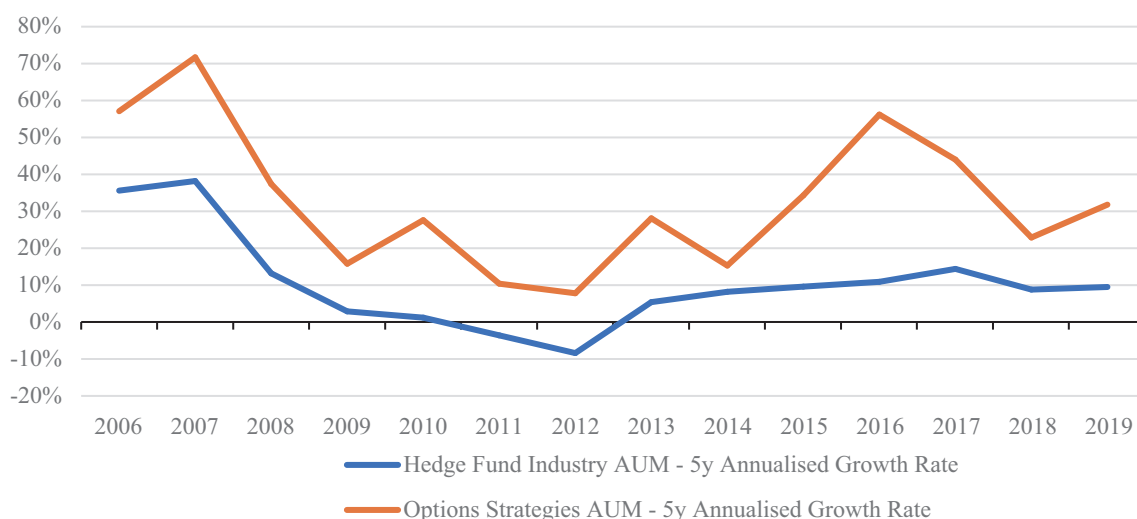
35 Sources: BarclayHedge: <https://www.barclayhedge.com/solutions/assets-under-management/hedge-fund-assets-under-management/hedge-fund-industry/>; <https://www.barclayhedge.com/solutions/assets-under-management/hedge-fund-assets-under-management/options-strategies/>

INDUSTRY OVERVIEW

AUM: Options Strategies AUM vs All Hedge Funds – Annual Data, 2001 to 2019³⁶



AUM Growth: Options Strategies vs All Hedge Funds – Rolling 5 Year Data, 2001 to 2019³⁷



BarclayHedge data suggest that dedicated options strategies currently account for a relatively small percentage (approximately 1.2% of AUM³⁸) of the hedge fund investment universe as of the first quarter of 2020. AUM in options strategies has grown over the last five years from US\$10.5 billion at the end of 2014 to US\$36.7 billion as of the end of Q1 2020. As noted above, some volatility strategies may be classified under other sub-strategies. The data suggest that the AUM in options strategies saw a strong rise in 2015 and 2016, but then fell back over 2017–20. Overall hedge fund AUM rose more slowly over the 2015–19 period as a whole, but experienced considerably less year-to-year variation. The change in options strategies reported AUM in Q1 2020 is roughly in line with that of the overall hedge fund industry (-12% vs. -11%).

36 Source: BarclayHedge <https://www.barclayhedge.com/solutions/assets-under-management/hedge-fund-assets-under-management/options-strategies/>; <https://www.barclayhedge.com/solutions/assets-under-management/hedge-fund-assets-under-management/>

37 Source: BarclayHedge <https://www.barclayhedge.com/solutions/assets-under-management/hedge-fund-assets-under-management/options-strategies/>; <https://www.barclayhedge.com/solutions/assets-under-management/hedge-fund-assets-under-management/>

38 Source: BarclayHedge

INDUSTRY OVERVIEW

Investor demand for volatility strategies rose following market turmoil in 2015 and strong performance for some volatility focused managers. The CBOE Eurekahedge Relative Value Volatility Hedge Fund Index was up +4.5% in 2015 and the True Partner Fund of the Group was up +17.2%³⁹. Both outperformed the broader hedge fund index, namely, the Eurekahedge Asset Weighted Index, which was down -0.7%, and the MSCI World Total Return Hedged USD, which was up +2.0%. While past performance is not necessarily predictive of future performance, it is typically a metric that receives a lot of focus from investors. Specifically, the Group saw positive AUM inflows in 2016, including following the launch of a new fund vehicle, the True Partner Volatility Fund.

BarclayHedge data suggest that demand for options strategies weakened over 2017–20, with AUM falling. Index data suggests that relatively few volatility strategies were able to continue to generate attractive returns over 2017–19⁴⁰, as strongly rising equity markets in 2017 and 2019 helped make long risk asset biased strategies appear more attractive to investors. Overall, hedge fund industry AUM continued to grow over this period, benefiting from both inflows and exposure to rising equity markets. 2020 has seen considerable dispersion in the performance of volatility strategies, with strong gains for some sub-strategies and managers, and more difficult performance for others.

Nevertheless, the Group was able to deliver positive returns during the period of 2017 to 2019 (+3.2% annualized for the True Partner Fund⁴¹) with a negative correlation to equity markets, and experienced strong inflows from investors. In contrast, the CBOE Eurekahedge indices for Relative Value Volatility, Long Volatility and Tail Risk strategies all had negative returns, while the CBOE Eurekahedge Short Volatility Index had a +0.9% annualised return, but with a positive correlation to equity markets. Extending this analysis to include Q1 2020, returns for the True Partner Fund improve to a +7.0% annualised return over 2017 to Q1 2020. Annualised returns for the Relative Value Volatility and particularly the Long Volatility, and Tail Risk indices also improve. The CBOE Eurekahedge Tail Risk Hedge Fund Index goes from being the worst performing of the indices over 2017 to 2019 to being the best performing over 2017 to Q1 2020, with a +4.1% annualised return. Losses in Q1 2020 turn the Short Volatility Index annualised returns sharply negative, going from a +0.9% annualised return to a -8.7% annualised return. We believe that our performance had resulted from a number of interrelated factors, including: (i) higher performance than peers; (ii) increased investor awareness of the Group and the power of its brand; (iii) AUM growth, which facilitated an increase in the potential pool of investors, as higher AUM enables investors to hold bigger positions in products of the Group without breaching their own concentration criteria. This opened up the Group's products to a wider range of institutional capital, where some investors are subject to minimum investment amount requirements; and (iv) the launch of an additional co-mingled fund vehicle in 2019, the IAM True Partner Volatility UCITS Fund, which gave access to the Group's strategy to a wider investor base and opened up new investor relationships.

³⁹ True Partner Offshore Fund, Class B Shares. Source: Bloomberg

⁴⁰ The CBOE Eurekahedge Relative Value Volatility Hedge Fund Index produced an annualised return of -0.8% over 2017–19. The CBOE Eurekahedge Long Volatility Hedge Fund Index produced an annualised return of -7.1% over 2017–19. The CBOE Eurekahedge Tail Risk Hedge Fund Index produced an annualised return of -10.2% over 2017–19. The CBOE Eurekahedge Short Volatility Hedge Fund Index produced an annualised return of +0.9% over 2017–19

⁴¹ True Partner Offshore Fund, Class B, USD shares

INDUSTRY OVERVIEW

Concentration criteria and minimum investment amount requirements of asset allocators

As described above, sizable asset allocators and investors often:

- (i) have minimum investment size requirements that can be quite substantial prior to them considering an investment. This is due to, without limitation, (a) due diligence and risks involved (in particular, they are required to spend considerable time, resources and human capital in carrying out often quite vigorous investment and operational due diligence prior to making an investment); and (b) dispensing their investment allocations into a large number of funds increases risks involved as well as monitoring costs, with the risk/return benefits of additional diversification typically marginal as a portfolio moves beyond a certain number of funds; and
- (ii) apply concentration criteria which mandates that their investment not to exceed a certain percentage of the total AUM of the investment manager, or in respect of a particular trading strategy. The application of such concentration criteria is mainly due to, without limitation, where funds are already invested by a number of other investors (i.e. not concentrated with few investors), they may take comfort from the fact of other investors having performed due diligence on the fund and being confident in the fund's investment strategy (i.e. they are not an "outlier" in their apparent conviction in the fund vis-à-vis their peer investors).

As an example, a state pension fund in the United States had invested US\$6.5 billion in hedge funds as of December 2019, which was split across direct allocations and investment into funds of hedge funds. The smallest direct hedge fund allocation was US\$100 million, whilst most allocations amount to US\$150 million or higher and some allocations were over US\$300 million. This implies that their minimum investment amount may be US\$100 million before they could even consider an investment. If the pension fund was to make, for example, a US\$150 million allocation to a hedge fund managing around US\$500 million, the pension fund would therefore account for a high percentage of the manager's AUM (approximately over 30%). The pension fund may avoid such situation of their investment representing a significant portion of the overall AUM of the manager. Therefore, such combination of concentration rules and minimum investment results in prohibitive restriction for smaller funds, whereas a higher AUM allows more (larger) investors to consider investing in the relevant fund and allows investors who are capped by concentration criteria to invest or increase their investments.

Therefore, a higher AUM would enable investors to hold (bigger) positions in the Group's products without breaching their own concentration criteria, and hence makes its products more accessible by asset allocators, and this will enhance the marketability of its funds to a wider range of institutional capital base.

Due to the fact that hedge fund portfolios are typically private and the sensitivity involved, there is very limited information on investment guidelines and sizing for individual fund/investor portfolios as these are not typically publicly disclosed.

Hedge fund investors spend considerable resources identifying the funds they believe to be best suited to their portfolios and in making long-term investment decisions. At the individual fund manager level, AUM changes are heavily influenced by the manager's absolute and relative performance, investors' confidence in their investment process, their operational robustness, their engagement with investors, and other factors. In particular, an individual manager may find it difficult to grow its AUM notwithstanding relatively strong performance if asset allocators are not aware of them, or if they remain too small for larger allocators to invest. An important aspect of investor relations is for managers to ensure that investors have appropriate expectations for their performance, so that investors are able to size positions appropriately and are not negatively surprised.

Prospects

Globally, ageing populations mean that savings and pension fund assets are likely to continue to grow, as individuals plan for their retirements. This may provide a secular tailwind for the asset management industry. For example, a recent report by UK's All-Party Parliamentary Group (APPG) on Alternative Investment Management suggested that the UK government consider ways to enable certain pension schemes to have access to alternative investments to, *inter alia*, protect the savings of

INDUSTRY OVERVIEW

beneficiaries by offering diversification from equities and bonds noting that alternative investments offer access to different types of cash-flows that may be less vulnerable to volatility which is prevalent in the world today. Further, hedge fund investors are currently predominantly institutional, and there is widespread recognition of hedge funds' potential attractiveness for a broad range of investors, particularly because of the diversification benefits they can offer.

It is challenging to forecast AUM growth in hedge funds and volatility strategies more specifically, and it is particularly difficult in the current macro environment. However, five hypothetical scenarios are listed in the following table:

	Description	Annualised Growth Rate ⁴²	Likely relative AUM growth of volatility strategies
1	Continuation of recent flow trends, AUM growth matches that seen over 2015 to 2019	10%	Similar
2	Slowing of growth due to lower equity market performance, leading to lower beta contribution for most strategies and more focus on diversifying strategies	5%	Higher
3	Second downturn in markets and hedge fund performance leads to asset outflows, and a repeat of 2008–12 annualised AUM changes	–8%	Higher
4	Second downturn in markets leads to investors seeking diversification in hedge funds, offsetting market exposure led performance declines	0%	Higher
5	Acceleration of equity markets and lower volatility leads to limited asset flow growth in hedge funds and fewer opportunities for diversifiers	5%	Lower

Investors' macro inputs into these scenarios will vary and as a result may result in different conclusions as shown. Key variables influencing asset growth inputs include: (i) overall equity and credit market performance, as these can be large drivers of performance for many of the largest hedge fund strategies, such as equity long/short strategies; (ii) hedge funds' performance relative to markets; (iii) volatility strategies' performance relative to markets; (iv) regulatory developments that may positively or negatively impact access to hedge funds; and (v) investors' appetite for diversifying strategies.

The shock of COVID-19 is still a major factor that is influencing many of the key variables. It is possible that the virus has a tragic resurgence, which could have a major impact on the market. The aftershocks of the pandemic and the policy response will also affect the economic recovery. They may also affect the nature and speed of due diligence processes, building on the shift towards more virtual contact we have seen in the last few months.

Hedge funds as a group are down year-to-date in 2020, but investor surveys suggest that in aggregate most investors are satisfied or happy with performance and hedge fund demand appears to be relatively robust. In June 2020, Bloomberg reported the results of a Credit Suisse survey of 160 institutional investors with approximately US\$450 billion in investments in hedge funds, which noted that "about 65% of investors indicated that their hedge fund holdings met or exceeded their return expectations for the year through May."⁴³ The percentage of respondents increasing allocations to hedge funds minus the proportion decreasing them also hit a five year high, at +32%, the highest among all asset classes. Investors were planning to reduce allocations to fixed income, cash and alternative beta products.

⁴² AUM growth rates are based on total AUM growth for the hedge fund industry as reported by BarclayHedge. Scenarios are hypothetical and for illustrative purposes only. Investors should form their own judgements as to macro and top down inputs which are expected to be the key drivers of any forecast

⁴³ Source: <https://www.bloomberg.com/news/articles/2020-06-30/investors-pick-hedge-funds-to-lead-them-through-choppy-markets>

INDUSTRY OVERVIEW

After a long bull market in equities, Q1 2020 was also a reminder of the potential downsides of equities and upside of diversifiers. It seems reasonable to assume that investors are likely to focus on Q1 2020 as a relevant risk scenario when assessing current and future investments. That may benefit hedge funds generally, and volatility strategies specifically where they can offer diversification benefits to investors, for example, funds that outperformed in Q1 2020. With the rebound in the second quarter of 2020, some equity markets have recovered most of their Q1 2020 losses and implied volatility has decreased from its Q1 2020 peaks, although it remains above long-term averages. Other things being equal, some investors may consider that diversifying their equity investments as attractive, and selected volatility funds could be beneficiaries of this. For other investors, it is possible that the policy support and market rebound in the second quarter of 2020 could be reasons for renewed faith in the equity bull market, or to seek out strategies that had unusual losses in Q1 2020 and could benefit from a better than expected recovery.

One significant unknown is whether investors seek to reallocate capital from government bonds and duration/interest rate risk more broadly to alternative diversifiers such as hedge funds. Government bonds and hedge funds have different risk characteristics and regulatory treatment. However, from an asset allocation perspective they can perform somewhat similar roles: as diversifiers to equity and credit risk. Government bonds have been a key component of institutional asset allocations for decades. However, in most developed markets bonds now offer relatively low or negative yields. They therefore may offer less returns and less diversification benefits in future equity downturns than they have in the past. In Q1 2020, major government bond markets experienced significant volatility in the midst of the equity sell-off. Some of the largest markets (e.g. German bonds) produced negative returns for March, potentially adding to investors' equity losses at a time when some may have hoped for positive returns. Such major asset allocation decisions are not straightforward to make. However, a slow shift from bonds and towards alternative diversifiers could be a long-term tailwind for hedge fund asset flows.

Net, there are some longer-term potential tailwinds that could support continued growth in hedge fund AUM, in addition to performance driven growth. However, the timing of flows is always difficult to predict with any certainty.

For individual managers, these scenarios may represent headwinds or tailwinds. For any individual manager such as the Group, the ability to sustain outperformance relative to broader markets and peers, and to effectively communicate with clients, are likely to be a larger driver of AUM changes than overall industry trends.

Drivers of investor demand for funds adopting volatility strategy

As explained above, investor demand for volatility strategies appears to be related to various factors including, without limitation, (i) the level of volatility in the market (which affects investors' appetite for volatility and diversifying strategies). For example, for the remaining of 2020, it is expected that ongoing developments of the COVID-19 global pandemic, the upcoming U.S. presidential elections and to a lesser extent other geopolitical issues remain factors which would likely contribute to relatively high level of implied volatility which may possibly increase investor appetite for trading strategies that benefit from such relatively high level of volatility for risk diversification from their equity investments as well as for asset protection; (ii) the performance of volatility focused managers during volatile markets or calmer markets; (iii) the attractiveness and performance of other competing trading strategies (such as long/short or long risk asset biased strategies) at the relevant times or periods; and (iv) the perception and determination of hedge fund investors as to what they perceive to be best suited to their portfolios in prevailing market conditions and in the longer term. For example, as explained above, the UK's All-Party Parliamentary Group (APPG) on Alternative Investment Manager has suggested that the UK government consider ways to enable pension schemes to have access to alternative investments to protect the savings of beneficiaries by offering diversification from equities and bonds, and this may potentially lead to increased demand. Further, fund managers may also consider volatility strategies such as those adopted by the Group to be strong diversifiers as part of the portfolio of their funds, in addition to annualised returns.

Investor demand for a fund adopting volatility strategies vis-à-vis other funds adopting volatility strategies appears to depend on, without limitation, (i) the performance of the particular fund vis-à-vis its peers, which is driven by its efficiency in identifying and capitalising on opportunities, which is in turn driven by its technical capability and resources (such as accuracy of proprietary inputs used in analytical tools such as pricing and implied volatility models); (ii) the awareness of investors of the brand of the particular fund; (iii) the level of AUM and AUM growth (as smaller funds would find it more difficult to

INDUSTRY OVERVIEW

attract the investment of larger funds due to minimum subscription and concentration limit requirements); and (iv) other considerations such as operational robustness (including from the perspective of cybersecurity).

The sales cycle for volatility strategy funds may take time as investor relationships and product awareness are typically built up over times and investor due diligence process also typically take months. As such, investor demand may take some time to result in inflows.

Sub-Classification of Volatility Trading Strategies

The CBOE and Eurekahedge publish four indices that encompass different types of volatility strategies and tail risk strategies. Tail risk strategies tend to perform a similar portfolio role to long volatility strategies and often have a significant degree of overlap. However, they have a more focused strategy objective, as detailed below:

- CBOE Eurekahedge Long Volatility Hedge Fund Index⁴⁴
- CBOE Eurekahedge Tail Risk Hedge Fund Index⁴⁵
- CBOE Eurekahedge Relative Value Volatility Hedge Fund Index⁴⁶
- CBOE Eurekahedge Short Volatility Hedge Fund Index⁴⁷

These indices are some of the metrics most commonly used to assess volatility strategies by investors active in the segment.

CBOE Eurekahedge volatility hedge fund indices are published by (i) Eurekahedge, a subsidiary of Mizuho Bank and one of the world's largest independent data providers and alternative research firms specialising in hedge fund databases, is widely recognised as a leading provider of hedge fund indices and data; and (ii) the Chicago Board Options Exchange ("CBOE"), the largest U.S. options exchange widely recognised as an industry leader in volatility products which is the home of the widely followed CBOE Volatility Index (VIX Index), the premier barometer of investor sentiment and stock market volatility.

The CBOE Eurekahedge hedge fund volatility indices, which are updated monthly, comprise a broad array of U.S.- and international-based funds in the volatility space and are designed to provide a broad measure of performance of underlying hedge fund managers. However, the individual performances of such firms are often private and not readily publicly available.

The CBOE Eurekahedge volatility hedge fund indices are the only set of volatility hedge fund indices that provide benchmarks for different sub-strategies within the volatility hedge fund universe (e.g. long volatility, short volatility, relative value volatility, etc.) using a consistent methodology and providing transparency regarding the members of the indices. As is apparent from the different indices' returns shown in this prospectus, different types of volatility sub-strategies can have quite different risk, return and correlation profiles.

Outside of the CBOE Eurekahedge volatility indices, there are other providers that produce indices of volatility strategies such as the HFRI Relative Value Volatility Index, but which do not provide benchmarks of different sub-strategies such as that offered by the CBOE Eurekahedge volatility hedge fund indices.

44 The CBOE Eurekahedge Long Volatility Index is an equally weighted index of ten constituent funds. The index is designed to provide a broad measure of the performance of underlying hedge fund managers who take a net long view on implied volatility with a goal of positive absolute return. The CBOE Eurekahedge Long Volatility Index is a collaborative index between Eurekahedge and the Chicago Board Options Exchange. Source: Eurekahedge

45 The CBOE Eurekahedge Tail Risk Index is an equally weighted index of 8 constituent funds. The index is designed to provide a broad measure of the performance of underlying hedge fund managers that specifically seek to achieve capital appreciation during periods of extreme market stress. The CBOE Eurekahedge Tail Risk Index is a collaborative index between Eurekahedge and the Chicago Board Options Exchange. Source: Eurekahedge

46 The CBOE Eurekahedge Relative Value Volatility Index is an equally weighted index of 15 constituent funds. The index is designed to provide a broad measure of the performance of underlying hedge fund managers that trade relative value or opportunistic volatility strategies. Managers utilising the strategy can pursue long, short or neutral views on volatility with a goal of positive absolute return. The CBOE Eurekahedge Relative Value Volatility Index is a collaborative index between Eurekahedge and the Chicago Board Options Exchange. Source: Eurekahedge

47 The CBOE Eurekahedge Short Volatility Index is an equally weighted index of 5 constituent funds. The index is designed to provide a broad measure of the performance of underlying hedge fund managers who take a net short view on implied volatility with a goal of positive absolute return. The strategy often involves the selling of options to take advantage of the discrepancies in current implied volatility versus expectations of subsequent implied or realised volatility. The CBOE Eurekahedge Short Volatility Index is a collaborative index between Eurekahedge and the Chicago Board Options Exchange. Source: Eurekahedge

INDUSTRY OVERVIEW

For reference, the specific eligibility criteria for a fund to become constituent funds of CBOE Eurekahedge volatility hedge fund are set out in the following link: <https://www.eurekahedge.com/Indices/CBOE-Eurekahedge-Volatility-Indexes-Methodology>.

On the above basis, the CBOE Eurekahedge Volatility hedge fund indices are considered to provide the most appropriate and representative benchmarks for the Group's trading strategies.

Performance of the hedge fund industry comparing historical performance of hedge funds which adopt volatility trading strategies and other trading strategies

The following table sets out the historical performance of hedge funds which adopt volatility trading strategies (represented by the CBOE Eurekahedge volatility hedge fund indices, including CBOE Eurekahedge Long Volatility Index, CBOE Eurekahedge Relative Value Volatility Index, CBOE Eurekahedge Short Volatility Index, and CBOE Eurekahedge Tail Risk Index) and those which adopt other trading strategies (represented by the Eurekahedge hedge fund strategy indices (including Eurekahedge Long/Short Equities Index, Eurekahedge Event Driven Index, Eurekahedge Multi Strategy Index, Eurekahedge Arbitrage Index, Eurekahedge Macro Index, and Eurekahedge CTA/Managed Futures Index), being indices designed to provide a broad measure of the performance all underlying hedge fund managers irrespective of regional mandate) over the period from January 2008 to May 2020 (being the longest comparable periods with all currently available CBOE Eurekahedge volatility hedge fund indices represented).

The Eurekahedge data demonstrates that all hedge fund strategies have delivered positive excess returns relative to cash over the long-term (with the exception of the Tail Risk Index), and that most have delivered positive alpha (including The Tail Risk Index), though performance varies by sub-strategy. At the strategy level, lower beta strategies, i.e. those with less structural exposure to equities, have exhibited higher alpha, i.e. returns that are not statistically explainable by equity risk (typically represented by exposure to a specific benchmark such as the MSCI World Index). Based on these metrics, relative value volatility and long volatility strategies have historically delivered particularly attractive performance relative to other hedge fund strategies and to equities.

INDUSTRY OVERVIEW

Monthly Data: January 2008 to May 2020	All hedge funds	Strategy Specific						Strategy Specific - Volatility CBOE				Equities	Risk Free
	Eurekahedge Asset Weighted Index	Eurekahedge Long/Short Equities Index	Eurekahedge Event Driven Index	Eurekahedge Multi Strategy Index	Eurekahedge Arbitrage Index	Eurekahedge Macro Index	Eurekahedge CTA/Managed Futures Index	CBOE Eurekahedge Long Volatility Index	Eurekahedge Relative Value Volatility Index	CBOE Eurekahedge Short Volatility Index	CBOE Eurekahedge Tail Risk Index	MSCI World Total Return Hedged USD	US 1-Month Treasury-Bill
Annualised Return	2.2%	1.3%	3.1%	2.6%	3.2%	2.8%	2.1%	5.0%	5.6%	2.0%	-2.7%	5.6%	0.6%
Excess Return over Risk Free Rate ⁴⁸	1.6%	0.8%	2.6%	2.1%	2.7%	2.2%	1.5%	4.5%	5.1%	1.5%	-3.2%	5.0%	NA
<i>Relative to MSCI World</i>													
Annualised Alpha ⁴⁹	-0.2%	-1.9%	0.4%	0.5%	1.1%	1.3%	1.7%	6.7%	4.6%	-0.8%	1.2%	0.0%	NA
Beta to MSCI World ⁵⁰	0.32	0.50	0.41	0.28	0.27	0.17	0.04	-0.33	0.06	0.47	-0.55	1.00	NA
Correlation to MSCI World ⁵¹	0.80	0.86	0.78	0.69	0.72	0.47	0.06	-0.53	0.25	0.67	-0.52	1.00	NA
<i>Upside/Downside Capture</i>													
Average Return when MSCI is Up	1.0%	1.3%	1.3%	0.9%	0.9%	0.6%	0.5%	-0.3%	0.7%	1.2%	-1.2%	3.0%	0.0%
Average Return when MSCI is Down	-1.2%	-2.1%	-1.5%	-0.9%	-0.8%	-0.5%	-0.3%	1.8%	0.1%	-1.6%	1.9%	-4.0%	0.0%
Upside Capture ⁵²	32%	44%	43%	29%	29%	21%	16%	-10%	23%	40%	-42%	100%	2%
Downside Capture ⁵³	31%	52%	39%	24%	20%	12%	7%	-47%	-1%	41%	-49%	100%	-1%
<i>Additional Risk-Adjusted Metrics</i>													
Sharpe Ratio ⁵⁴	0.27	0.09	0.33	0.34	0.47	0.41	0.18	0.49	1.34	0.14	-0.20	0.34	NA
Sortino Ratio ⁵⁴	0.41	0.14	0.46	0.51	0.67	0.69	0.33	1.61	2.80	0.18	-0.71	0.52	NA

As with volatility strategies, individual manager level data is generally not publicly available for other hedge fund strategies. As a result, the indices provide a useful proxy. Within each strategy it is reasonable to expect that there will be some managers who have outperformed these indices (as True Partner Fund is a member of, but has outperformed the CBOE Eurekahedge Relative Value Volatility Index) and some who have underperformed these indices. The indices' public nature, long histories of data, transparent rules for index construction, and inclusion of a broad range of similar funds makes them useful for peer analysis and they are widely used for this purpose in the hedge fund industry.

In order to compare the return of the above hedge fund strategies, one way of categorising these strategies is according to their level of beta (a statistical measure of exposure to equity risk). Using this approach, the different hedge fund strategies shown in the above table can be categorised as follows:

- **higher beta strategies**, i.e. those with a positive beta to equities of 0.4 or higher (represented by the Eurekahedge Long/Short Equities Index, Eurekahedge Event Driven Index and CBOE Eurekahedge Short Volatility Index)
 - o these strategies generated positive annualised returns (ranged from a low of +1.3% to a high of +3.1%)
 - o Event Driven strategies outperformed the broad hedge fund index (the Eurekahedge Asset Weighted Index) in absolute terms over the time period shown, while Long/Short Equities and Short Volatility underperformed the broad hedge fund index

48 Risk free = US 1-month Treasury bill yield

49 Annualised alpha = annualised excess return relative to the MSCI World Total Return Hedged USD index

50 Beta = a measure of the proportion of the return that tracks the MSCI World Total Return Hedged USD index. Beta more than 1 means it moves more than the MSCI World Total Return Hedged USD whereas less than 1 means it moves less (or less sensitive) to the above index.

51 Correlation = a measure of the inter-relationship between the return of the fund/index and the MSCI World Total Return Hedged USD. Unlike beta, correlation normalises for differences in volatility

52 Upside capture = average return when MSCI is up/average MSCI return when MSCI is up

53 Downside capture = average return of the fund/index when MSCI is down/average MSCI return when MSCI is down. It is calculated by taking the fund's monthly return during months when the benchmark had a negative return and dividing it by such MSCI return during the same months. If a fund generates positive returns while the MSCI declines, the fund's downside capture ratio will be negative (meaning it has moved in the opposite direction of the MSCI benchmark)

54 Two common ratios used to assess risk-adjusted performance of hedge funds are the Sharpe Ratio and the Sortino Ratio. Both ratios seek to compare an investment's returns in excess of the risk-free rate (i.e. the rate of return of investments that are considered risk-free, such as the U.S. Treasury bill) to the amount of risk taken to generate those returns. Such measure of return of an investment compared to the risk taken is useful as higher risk investments typically yield higher returns, i.e. these ratios assist to isolate the profits associated with risk-taking activities. The Sharpe Ratio treats upside volatility (magnitude of positive returns) as equal to downside volatility (magnitude of negative returns). However, investors may be more comfortable with high upside volatility (i.e. large gains) than high downside volatility (i.e. large losses). This can mean an investment with a higher Sharpe Ratio is not always a more desirable investment. The Sortino Ratio seeks to address this issue by defining risk as downside risk, rather than total volatility used in calculating the Sharpe Ratio. This means that the Sortino Ratio focuses only the volatility of returns below a certain minimum acceptable return threshold, typically zero, when measuring volatility. This can make the Sortino Ratio a more effective measure of risk-adjusted returns relative to downside risks

INDUSTRY OVERVIEW

- o these strategies experienced a high positive correlation to equities (ranging from 0.67 to 0.86). This suggests that a significant component of the variation in returns of the indices can be statistically explained by the variation in returns of equity markets
- o these strategies have experienced a low positive alpha or a negative alpha which suggests that the majority (in some cases more than all) of their total returns are materially explained by the positive beta (i.e. attributable to exposure in the markets in general) to equity of these strategies at the index level
- **lower beta strategies**, i.e. those with a beta of 0 to 0.3 (represented by the Eurekahedge Multi-Strategy Index, Eurekahedge Arbitrage Index, Eurekahedge Macro Index, Eurekahedge CTA/Managed Futures Index and the CBOE Eurekahedge Relative Value Volatility Index)
 - o these strategies generated positive annualised returns (ranged from a low of +2.1% for CTA/Managed Futures to a high of +5.6% for Relative Value Volatility)
 - o these strategies (with low but positive beta) generally benefited from exposure to rising equity markets, but to a lesser degree than that of higher beta strategies
 - o all the strategies in this group achieved positive alpha relative to equities, and each achieved higher alpha than the higher beta strategies described above
 - o within this group Macro, CTA/Managed Futures and Relative Value Volatility have experienced a lower correlation to equity markets (a range of 0.06 to 0.47), which suggests that the majority of the variation in their returns cannot be explained by equity risk. These are sometimes referred to as “uncorrelated strategies” and are typically more diversifying to equity risk. A lower correlation may bring more diversification benefits to an equity-orientated portfolio
 - o Higher alpha is typically seen as a positive characteristic, as it indicates higher returns independent of equity risk
- **negative beta strategies**, i.e. those with a beta of less than zero to equities (represented by the Eurekahedge Long Volatility Index and Eurekahedge Tail Risk Index)
 - o these strategies had a negative correlation to equities and produced positive alpha
 - o within this group, the annualised return ranged from -2.7% to 5% while alpha ranged from 1.2% to 6.7%. Notwithstanding the negative absolute return of the Tail Risk (which underperformed the broad hedge fund index), its negative return is more than fully explained by its negative exposure to equity risk, i.e. its negative beta
 - o Tail Risk has produced a positive alpha relative to equities. This suggests that adjusted for equity risk it has delivered a positive risk-adjusted return. On an alpha basis, Tail Risk strategies have outperformed the broad hedge fund index. Other things being equal, this may make such strategies potentially attractive additions to an equity orientated portfolio

The True Partner Fund is a member of the CBOE Eurekahedge Relative Value Volatility Index, reflecting its relative value trading approach. The True Partner Fund has shown beta characteristics more similar to the CBOE Eurekahedge Long Volatility Index (i.e. the True Partner Fund has had a negative beta to equities, whereas the CBOE Eurekahedge Relative Value Index has had a positive beta to equities). The True Partner Fund is often considered by potential investors to be an “uncorrelated” strategy, reflecting its low absolute correlation to equities and diversifying characteristics, or as a negative beta strategy. As shown below, the True Partner Fund over its life has produced a higher absolute return and a higher alpha than any of the hedge fund indices shown. The True Partner Fund’s combination of historically attractive relative returns and alpha with a negative beta may make the True Partner Fund attractive to a wider range of potential investors looking at uncorrelated or even more diversified strategies.

INDUSTRY OVERVIEW

For a more meaningful analysis, in the table below we show the return characteristics of the True Partner Fund from July 2011 (the time of inception of the True Partner Fund, the flagship fund of the Group) to May 2020 inclusive against those of the Eurekahedge Asset Weighted Index, the CBOE Eurekahedge Volatility Hedge Fund Indices as well as the MSCI World Total Return Hedged USD:

Performance of True Partner Fund vs the Eurekahedge Asset Weighted Index, the CBOE Eurekahedge Volatility Hedge Fund Indices and the MSCI World Total Return Hedged USD

	True Partner Fund	Strategy Specific – Volatility				Equities
	True Partner Fund	Eurekahedge CBOE Long Volatility Index	Eurekahedge CBOE Relative Value Volatility Index	Eurekahedge CBOE Short Volatility Index	Eurekahedge CBOE Tail Risk Index	MSCI World Total Return Hedged USD
July 2011 to May 2020						
Annualised Return	6.4%	0.7%	3.4%	−0.1%	−3.3%	9.4%
Excess Return over Risk Free Rate	5.8%	0.1%	2.8%	−0.7%	−3.9%	8.8%
<i>Relative to MSCI World</i>						
Annualised Alpha	9.5%	5.1%	1.7%	−5.8%	5.2%	0.0%
Beta to MSCI World	−0.37	−0.50	0.11	0.61	−0.85	1.00
Correlation to MSCI World	−0.42	−0.70	0.41	0.76	−0.60	1.00
<i>Upside/Downside Capture</i>						
Average Return when MSCI is Up	−0.26%	−0.71%	0.56%	1.00%	−1.37%	2.62%
Average Return when MSCI is Down	2.49%	1.97%	−0.36%	−2.23%	2.65%	−3.42%
Upside Capture	−10%	−27%	21%	38%	−52%	100%
Downside Capture	−73%	−57%	11%	65%	−77%	100%
<i>Additional Risk-Adjusted Metrics</i>						
Sharpe Ratio	0.53	0.01	0.82	−0.07	−0.22	0.70
Sortino Ratio	1.64	0.05	1.42	−0.09	−0.89	1.13

The True Partner Fund can be classified as a relative value volatility fund. However, the fund has historically exhibited correlation characteristics that are much closer to long volatility funds than to relative value funds, as the True Partner Fund has exhibited a negative rather than positive correlation to equities. The True Partner Fund has outperformed each of the volatility hedge fund indices in terms of annualised returns and alpha generation. The True Partner Fund generated a positive annualised return of 6.4% which compares favourably to the four CBOE Eurekahedge volatility indices used as well as a significantly larger annualised alpha metric. The True Partner Fund has achieved a Sortino Ratio higher than any of the CBOE Eurekahedge Volatility Hedge Fund Indices, the Eurekahedge Asset Weighted Index (i.e. the broad hedge fund index) and the MSCI World Total Return Hedged USD. The Sortino Ratio is the excess return over the risk free rate divided by the annualised volatility of the negative monthly returns of the investment. In the calculation of volatility, negative months are fully accounted for, while positive months are given a value of zero (i.e. downside volatility is fully incorporated but upside volatility is ignored).

As can be seen in the table, the True Partner Fund has achieved a substantially higher excess return than each of the CBOE Eurekahedge Volatility Hedge Fund Indices and the broad hedge fund index (+5.8% vs. a range of -3.9% to +2.8% for the other indices). The True Partner Fund has had a similar downside volatility to the broad hedge fund index (3.5% vs. 3.3%), a lower downside volatility than the CBOE Eurekahedge Short Volatility and Tail Risk indices (3.5% vs. 8.1% and 4.4% respectively), and a modestly higher downside volatility than the CBOE Eurekahedge Relative Value and Long Volatility indices (3.5% vs. 2.0% and 2.6% respectively). Combined together, these produce a higher Sortino Ratio for the True Partner Fund than the indices. The True Partner Fund has also had a higher Sharpe Ratio than the broad hedge fund index (0.53 vs. 0.18) as its substantially higher excess return more than offsets its higher annualised volatility.

Since inception, the True Partner Fund has delivered approximately two-thirds of the excess return of the MSCI World Total Return Hedged USD (+5.8% vs. +8.8%) with less than half the downside volatility, (3.5% v 7.8%). This results in a higher Sortino Ratio for the True Partner Fund than for equities. The True Partner Fund has had much higher upside volatility than downside volatility, i.e. it has exhibited asymmetrical risk to the upside. This results in a higher total annualised volatility relative to

INDUSTRY OVERVIEW

downside volatility than for an investment with more symmetrical upside and downside risks. This depresses the Sharpe Ratio relative to the Sortino Ratio. The MSCI World has had a higher downside volatility than upside volatility, i.e. it has exhibited asymmetrical risk to the downside. This results in a lower annualised volatility relative to downside volatility as compared to an investment with more symmetrical upside and downside risks. This flatters the Sharpe Ratio relative to the Sortino Ratio. Combining these factors, the True Partner Fund has exhibited a higher Sortino Ratio than equities but a lower Sharpe Ratio.

Further, it is noteworthy that the True Partner Fund also recorded -73% downside capture which indicates the fund was able to generate quite constantly positive return while the MSCI Index was negative, a characteristic not representative of the four CBOE Eurekahedge volatility indices used.

The following section describes the key characteristics of different volatility strategies:

Long volatility and tail risk strategies

- These strategies are mostly considered tail hedges, tail protection or overlays, meaning that they are expected to deliver a high payoff during periods when equity markets experience large losses (i.e. negatively correlated to equity market returns). They benefit from periods of relatively higher volatility during tail risk events such as Q1 2020, the 2008 financial crisis, and smaller equity market drawdowns such as August 2015 and the fourth quarter of 2018.
- The return profile of long volatility and tail risk strategies varies. Over the long run investors may expect to have a negative return but a large negative correlation to risk assets and a positive alpha contribution at the strategy and/or portfolio level. The objective is typically to achieve a positive contribution to overall portfolio risk-adjusted returns. One important metric for investors is the downside capture to equity markets, particularly during larger equity losses, as shown in the tables above. Other investors may be more opportunistic in their timing of allocations and so focus on shorter-term expected returns.
- Long volatility strategies can be seen almost as the inverse of the short volatility strategies – they will pay to be long volatility and then seek to devise ways of managing the negative carry (or theta bleed). This may be through delta hedging, finding options where the negative carry is expected to be low under certain conditions (e.g. in the absence of changes in the overall level of volatility across maturities), or through taking directional views on the underlying assets in the expectation that selected assets may experience losses for idiosyncratic reasons.
- Two risks to the strategy are that (i) markets, over the long-run, tend to rise, so option strikes have to regularly be “re-set” higher to maintain a given level of protection; and (ii) realised volatility tends to be, over the long-run, below implied volatility. Both of these aspects can result in negative long-run returns for strategies seeking to be long out of the money tail protection.
- An additional challenge is the difficulty in knowing when to monetise if the market is crashing and volatility is spiking. It is no different from trying to time the top of the market when selling a long equity position. Timing the optimal exit from a long volatility strategy is extremely difficult.
- Given these considerations, long volatility and tail risk strategies are well suited to customised solutions, which enable risk levels, return portfolio objectives and monetisation strategies to be tailored to specific investors’ circumstances and objectives.

Short volatility strategies

- Simple short volatility strategies have mostly moved from being housed in hedge funds to being accessed via other formats, such as overlay strategies, which can offer more capital efficiency and customisation, or risk premia strategies, which can offer a cheaper way to access a similar return stream.
- The cornerstone of the thesis centres on the premium picked up from selling market “insurance”. Over the long-term, implied volatility has on average traded above realised volatility, creating a “premium” for being short implied volatility. This manifests itself as a positive carry that can be earned over time by selling implied volatility and, quite often, delta hedging the underlying equity market exposures. A number of academics and asset managers have published research on this phenomenon.⁵⁵

⁵⁵ For example, AQR: <https://www.aqr.com/Insights/Research/White-Papers/Understanding-the-Volatility-Risk-Premium> and Aegon <https://www.aegonam.com/en/aegon-insights/NewsArticles/the-volatility-risk-premium/>

INDUSTRY OVERVIEW

- The risk to the strategy is that implied and realised volatility can increase rapidly, particularly when markets suddenly decline. Over these periods the risk exposures of short volatility positions can substantially grow in size, and unless very carefully managed and timed well, these strategies can be exposed to substantial losses.
- The return profile of short volatility funds has a high positive correlation to risk assets, particularly during periods of losses in risk assets. As such, while short volatility funds can be a source of return, they typically do not provide portfolio diversification.
- There are a range of different implementations of short volatility strategies, including selling different types of options and volatility instruments (including both listed and over-the-counter instruments) with varying exposures and maturities.
- Short volatility overlay strategies are commonly used to offer yield enhancement to investors and the ability to express such views in a capital efficient way. As a result, these strategies have become popular with some high net worth individuals and other investors.

Relative value volatility strategies

This is the largest category of strategies adopted by volatility managers. Different managers employ different types of strategies, or combine multiple strategies types within a single fund product. Two commonly employed approaches are described below:

Equity dispersion trading

- Equity dispersion strategies typically are long options on single stocks, and short index volatility. They seek to benefit from uncorrelated moves amongst constituent stocks of an equity index.
- A portfolio which is long dispersion and short correlation benefits from any uncorrelated moves in the index components (and thus is a beneficiary of any idiosyncratic single stock event). However, the strategy carries a risk as correlation between stocks tends to rise during periods of equity market turbulence, which can result in index volatility (which the strategy is typically short) to rise faster than average single stock volatility (which the strategy is typically long). This can result in losses.

Volatility arbitrage trading

- Volatility arbitrage trading encompasses a wide range of strategies with the common characteristic that managers will be long volatility in some instruments and short volatility in other instruments, typically ones that are relatively closely related.
- Managers can trade a single product type, asset class, or multiple product types and asset classes.
- Example trades can include spreads within and between products and asset classes, calendar spreads, skew trades and special situations trades. Managers may use a wide variety of vanilla and exotic derivatives and the liquidity of these positions can vary widely.
- On average, the funds in this category tend to have a positive correlation to equity markets, as illustrated by the index level data above. However, there can be wide variations between individual funds. For example, the True Partner Fund is a relative value volatility fund, but has historically exhibited a negative correlation to equity markets.

Competitive landscape

There are relatively few large players in the volatility strategies universe and underlying businesses vary across firms. The most significant peers to the Group are privately held firms that do not publicly disclose the details of their investment/trading strategies nor for the most part their performance. However, it is possible to identify some characteristics of their businesses and investment/trading approaches from publicly available information, such as their focus on options trading.

Below are profiles of some firms that may be considered as peers to the Group. Their businesses are not identical, but each firm operates volatility strategies and has some publicly available data that indicates their relevance to the Group. Given the limited availability of public data, the relative performance of the Group is best assessed through a comparison to index data, which has been included above.

- **Capstone Investment Advisors, LLC:** a global fund manager that has specialised in trading volatility as an asset class since its inception in 2007. Its founder, Paul Britton, was previously at the options market maker, Mako Global Derivatives. The firm currently manages approximately US\$6.7 billion in assets, primarily for institutional investors. The assets are managed across two platforms: multi-strategy volatility arbitrage and customised volatility-based solutions, investing

INDUSTRY OVERVIEW

across asset classes, geographic regions and trading strategies. The firm's volatility trading strategies span equities, fixed income, commodities, foreign exchange, credit and convertible bonds globally.⁵⁶ No public data is available for the firm's investment performance.

- **Parallax Volatility Advisers, L.P.:** a U.S.-based manager founded in 1996. The firm has grown from a small, floor-based equity options trading operation into a large participant in the global volatility market with approximately US\$2.7 billion in AUM. The firm employs a volatility relative value strategy that incorporates multiple trading strategies. The process identifies trading opportunities by options flow analysis that is supported by qualitative and quantitative evaluation and targets the most attractive risk-adjusted portfolio of volatility exposures in both listed and over-the-counter options on global equities, indexes, ETFs and commodities.⁵⁷ No public data is available for the firm's investment performance.
- **Ionic Capital Management LLC:** founded in 2006 and has approximately US\$2.1 billion in assets under management. The firm employs different investment strategies including long volatility, value equity and credit. In addition, the firm acts as sub-advisor to multiple registered investment companies for which it employs relative value arbitrage investment strategies and long volatility investment strategies. The firm utilises both explicit and embedded options across asset classes, including equities, interest rates, currencies, commodities and credit in order to construct a portfolio that is typically positive convexity and long volatility.⁵⁸ No public data is available for the firm's investment performance.
- **36 South Capital Advisors:** founded in 2001 and is focused on volatility and tail risk management. Per Bloomberg data, the firm has US\$1.1 billion of AUM as of February 2020. The firm seeks to find options that provide cheap convexity and positive asymmetry. The firm describes itself as having a particular expertise in pan-asset class, global, long-dated options and a specialism in finding positions that can provide portfolio benefits including convexity, diversification and yield.⁵⁹
- **Assenagon:** founded in 2007 and has EUR28 billion in AUM. The firm manages a range of strategies across asset classes. This includes strategies that seek to gain during periods of rises in volatility, and strategies that seek to capture the volatility risk premium.⁶⁰
- **Amundi:** founded in 2010 through a merger and is a diversified asset manager with over EUR1.5 trillion in AUM. The firm manages a small number of volatility related strategies, including Amundi Funds World Volatility, which had over US\$600 million in AUM as of March 2020⁶¹.

Entry Barriers

- **Volatility trading experience:** Successful volatility traders often come from either an option market making background or an investment banking or asset management background. The background may result in a different perspective on volatility, options, liquidity, portfolio management, fundamentals, flow and other variables. The influence of background can be true across all strategies, not just volatility. The market-maker's focus falls naturally on market-microstructure, looking at flow and liquidity/cost of execution. The more fundamental background of investment banking or asset management generally focuses more on fundamentals, valuations and economic themes.
- **Technology and operational infrastructure:** Options are relatively complex instruments and managing options portfolios typically requires significant investment in technology and operational infrastructure in order to be able to calculate exposures quickly and accurately and process trades. Where speed is important, managers typically require servers to be co-located at exchanges, which can be an additional expense.
- **Physical infrastructure:** For managers trading global options markets, multiple offices in different continents are typically required as there are significant options markets in the U.S., Europe and Asia.

56 Sources: Global Volatility Summit, Capstone: <https://www.globalvolatilitysummit.com/sponsor/capstone/>; <http://www.capstoneco.com/>

57 Sources: Global Volatility Summit, Salt, Parallax: <https://www.globalvolatilitysummit.com/sponsor/parallax/>; <https://www.globalvolatilitysummit.com/speaker/will-bartlett/>; <https://www.salt.org/bio-parallax>

58 Sources: Global Volatility Summit, Ionic <https://www.globalvolatilitysummit.com/sponsor/ionic>

59 Source: Bloomberg, 36 South; <https://www.36south.com/#about>

60 Sources: Bloomberg, Assenagon <https://www.assenagon.com/en/services/>

61 Source: Bloomberg, Amundi <https://www.amundi.com/int/Choose-Amundi/Why-Amundi>

INDUSTRY OVERVIEW

- **Data:** The detailed and high-quality pricing data required for many volatility arbitrage trading approaches is not readily available via Bloomberg or other widely available commercial sources. A manager with substantial experience and a live transaction history is therefore at an advantage relative to a manager seeking to start solely with commercially available sources.

Competitive Advantage of the Group

- **Options and volatility trading expertise:** The senior portfolio managers have substantial experience as both market makers and as hedge fund portfolio managers, providing a broad understanding of market participants' approaches to trading. The co-CIOs have worked together since 2011 at the Group, a degree of team stability that is not found at all peer firms.
- **Advanced technology and software systems:** The Group has developed its own proprietary software that enables it to take in market pricing and price options based on the Group's own proprietary inputs, risk manage a portfolio and provide efficient operational processing of positions.
- **Data:** The Group has built up a large library of live trades over its history. This has the potential to provide insights on trading strategies and transaction costs that may not be available to newer firms.
- **Brand name and market presence:** the Group has become one of the better-known volatility trading firms, which may help the Group as it develops new, volatility related business areas.
- **Track record:** The True Partner Fund has generated absolute and risk-adjusted returns in excess of major hedge fund indices over its life. Historical returns are often an important metric for potential investors to consider when evaluating a firm's ability to generate attractive future returns. For example, some hedge fund investors use return-based screening criteria and/or apply minimum lengths to track records.

Opportunities

- The True Partner Fund has generated absolute and risk-adjusted returns in excess of the broad hedge fund index⁶² over its life. These returns have been generated despite the fund operating in an environment during which equity markets have delivered returns above their longer-run average and volatility has been below its long-run average. As the fund has historically exhibited a negative beta to equity markets, if equity returns revert to their long-run averages, or lower levels, this may be positive for the fund's opportunity set.
- The equity market environment in 2020 has become more volatile and uncertain, which may increase investor demand for diversifying strategies.
- The challenging market environment for volatility strategies seen over recent years has led to reduced competition in the space.
- Options strategies are more widely used by investors than when the Group started in 2010. This is evidenced by the growth in options strategies AUM noted above, and in the growth of volatility risk premia strategies.
- The Group has a strong technology and operational infrastructure, and market expertise that would enable it to expand its product set to other products such as commodities, currencies, fixed income and longer-dated derivatives, and to different types of volatility strategies. This may include strategies tailored to different return and risk profiles, such as tail risk strategies, or which are more geographically focused. There are existing examples of peer managers having expanded from a single product to multiple products and strategies over time.
- Many of the markets traded by the Group have large potential capacity. These include the S&P 500, the Kospi, the Nikkei and the EuroStoxx. Some aspects of the Group's trading are subject to capacity constraints, but others have scope for considerable growth. Strategies such as tail risk and overlay products typically have a lower trading frequency than arbitrage strategies, which makes them less subject to capacity constraints. As noted above, some other volatility managers have substantially larger AUM than the Group.

Threats

- The Group's largest strategies have historically had their strongest returns during periods when market volatility has been above its long-term averages. Sustained periods of low and declining volatility (as seen in 2017) may be challenging. However, the market imbalances that such periods can generate can also result in future opportunities (as seen in 2018 following 2017). The Group has historically successfully communicated with investors regarding its expected returns in different types of market scenarios, which has helped it to avoid significant redemptions during periods of weaker performance.

62 Source: Bloomberg. Comparison is vs Eurekahedge Asset Weighted Hedge Fund Index

INDUSTRY OVERVIEW

- The team size is relatively small with a number of key individuals in both research and technology who are important to the business. The departure of such key individuals may have adverse implications on the operations and performance of AUM.
- The Group is currently running multiple funds, but which all feed from a single primary strategy. There is relatively low diversification of strategies from a business perspective.
- As is typical for hedge fund strategies investing in highly liquid instruments, the liquidity of the Group's vehicles is relatively high. This has been an attraction for investors when allocating, but also means that capital could potentially be redeemed quickly. The Group's investors generally take a long-term perspective on their allocations, which mitigates this risk as shown by the fact that during periods of lesser performance of the company's funds, no significant redemptions have occurred.

Impact of COVID-19 pandemic on the hedge fund industry and volatility strategies

The COVID-19 pandemic has had a major impact across the world, with the IMF World Economic Outlook forecasting the global GDP to decline by 4.9% in 2020, with the Euro Area and the U.S. particularly hard hit, with expected 10.2% and 9% declines in GDP in 2020, respectively.

While the implications of the COVID-19 pandemic is more global than the 2008 financial crisis, the impact brought by the pandemic on hedge funds in 2020 seems likely to be less than that seen in 2008 as: (i) hedge funds as a group have better matched their investor liquidity terms with the liquidity of their underlying assets, leading to fewer suspensions or redemptions; (ii) investors have incorporated the 2008 experience into their expectations, leading to a greater realisation of potential downside risks than was perhaps the case prior to the financial crisis; (iii) policymakers have reacted quickly, with more data and tools to hand than they had in 2008, and central banks have provided substantial liquidity to reduce stresses in funding markets; (iv) banks are less leveraged, giving greater capital cushions to absorb losses; and (v) governments have also announced huge fiscal support programs, leading investors to expect the recovery to start sooner and reducing the dash for cash seen in 2008.

As a result, from investors' standpoint, the impact on hedge funds is more likely to be about repositioning portfolios for a changed economic environment, and a reassessment of the risk/return profiles of individual funds and strategies. Many hedge funds, including the Group, were launched post-2008, and 2020 will represent an important data point for them. It is expected that investors are likely to be attracted to more liquid strategies that have demonstrated the ability to offer diversifying (i.e. positive) returns during Q1 2020, and those that offer leveraged exposure to an economic recovery. In this regard, hedge fund index data suggests that relative value volatility and long volatility strategies were a bright spot within the hedge fund investment universe in Q1 2020 and indications on performance in the second quarter of 2020 continue to put these strategies above most others as of May 2020. However, within relative value volatility, press reports suggest that some funds saw significant losses, while others such as the Group generated strong gains.

Hedge funds that are negatively impacted by the COVID-19 pandemic are likely to be those that have already been under pressure: funds with a structural long risk asset bias, but with relatively low alpha, such as some equity long/short funds. In Q1 2020, many of these funds suffered losses, which may lead investors to reassess these funds. Conversely, the equity sell off as well as poor performance of negative yielding debt may lead investors to reassess their allocations towards alternative diversifiers, and this may lead to higher demand for some volatility trading strategies that are able to offer low correlations to markets and positive long-term returns.

Furthermore, while tail risk mitigation strategies may be more expensive to implement now, their value has been clearly demonstrated. For reference, post-2008 and the initial recovery in 2009, there was a significant increase in demand for tail risk strategies, as institutional investors sought to find capital efficient ways of dealing with extreme event risks. A likely legacy of COVID-19 is that pandemic risks become a additional risk factors for investors to consider, and this may give rise to demand for capital efficient tail hedges.

Impact of the COVID-19 pandemic on the Group

The Group would likely be in a stronger position than entering 2020. During Q1 2020, the Group's funds experienced strong performance, continued to operate normally, and demonstrated to many more recent investors and potential investors the value of the Group's approach. While the Group has proved its diversification credentials before, it has now done so at a time when its AUM was at an all-time high, and during a period when markets experienced more extreme behaviour than seen since its launch. That should help reinforce to existing investors' confidence in the long-term role of the Group in managing its funds and portfolios. In the short-term, it is possible that some existing investors may seek to rebalance their positions back to their pre-gain weights by redeeming profits generated in Q1 2020. This may result

INDUSTRY OVERVIEW

in small redemptions and the realisation of performance fees. The strong performance of the Group in Q1 2020 should also make the Group's funds more attractive to potential investors, replacing any redemptions made and further growing AUM more easily.

As explained above, there has been a significant increase in demand for tail risk strategies since 2009 as institutional investors sought to find capital efficient ways of dealing with extreme event risks. The Group's skillset in volatility trading leaves it well placed to grow in this area, especially under the legacy of the COVID-19 crisis.

From a marketing perspective, the Group should benefit from having personnel in each of the major time zones for investors (U.S., Europe and Hong Kong) and support from external marketers and capital introduction professionals in each region. Some of the Group's larger investors are funds of hedge funds, consultants or other aggregators of assets, and through this the Group also benefits from the often global reach of their investment and sales teams. These allocators typically perform investment and operational due diligence on behalf of their clients, meaning new end clients may be able to invest without conducting onsite visits. Should travel restrictions continue for some time, this may prove to be a major advantage as compared to funds without such connection.

Being on existing investment platforms, having an established communication channel with actual and potential investors through mailing lists and capital introduction partners' networks, as well as enjoying brand recognition within the volatility hedge fund universe, the Group is likely to find it easier to continue to engage with investors during periods of restricted activity, especially during the lockdown period(s) during the COVID-19 pandemic. This also provides an advantage to the Group in marketing. Reduced travel possibilities, which may persist for some time under the impact of COVID-19 increases the value of the Group's local presence and its ability to connect with investors via webinars and other remote formats. Further, the Group has the benefit of having attended multiple conferences in the past and extensively travelled to meet investors over time, and has thereby built up a network of potential investors. Should restrictions on travel and face-to-face meetings persist for some time, it could be harder for new hedge funds to enter the market, potentially creating advantages for established hedge funds.

REGULATORY AND LICENSING REQUIREMENTS

This section sets out a summary of certain aspects of the laws, regulations and requirements, which are of significance to our Group's business and operations. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to our Group.

HONG KONG REGULATORY OVERVIEW

Introduction

The SFO, including its subsidiary legislation, is the principal legislation regulating the securities and futures industry in Hong Kong. In particular, Part V of the SFO governs the regulation of licensing and registration.

The SFO is administered by the SFC, the statutory regulatory body governing the securities and futures markets in Hong Kong. The SFC regulates various participants, including investors, brokers and investment products, in the securities and futures market to achieve the regulatory objectives under the SFO. Such regulatory objectives include, *inter alia*, to maintain and promote the fairness, efficiency, competitiveness, transparency and orderliness of the securities and futures industry, to provide protection for members of the public investing in or holding financial products and to reduce systemic risks.

In addition to the SFO, the Fund Manager Code of Conduct (the “FMCC”) published by the SFC in November 2018 sets out conduct requirements for persons licensed by or registered with the SFC whose business involves the management of collective investment schemes and/or discretionary managed accounts.

Overview of licensing requirements

Under the SFO, any person who carries on a business in a regulated activity or holds itself out as carrying on a business in a regulated activity must be licensed under the relevant provisions of the SFO unless one of the exemptions under the SFO applies. This applies to both a corporation carrying on a business in a regulated activity and to any individuals acting on behalf of that corporation in carrying on such activities.

REGULATORY AND LICENSING REQUIREMENTS

Types of regulated activities under SFO

Currently, there are 12 types of regulated activities (as defined in Schedule 5 to the SFO) the carrying out of which requires the obtaining of a licence under the SFO, namely:

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;
Type 11:	dealing in OTC derivative products or advising on OTC derivative products ¹ ; and
Type 12:	providing client clearing services for OTC derivative transactions ² .

Notes:

¹ The amendments to the SFO in relation to Type 11 regulated activity are not yet in operation.

² The Type 12 regulated activity came into operation on September 1, 2016 pursuant to the Securities and Futures (Amendment) Ordinance 2014 (6 of 2014), in so far as it relates to paragraph (c) of the new definition of excluded services in Part 2 of Schedule 5 to the SFO.

As at the Latest Practicable Date, our Hong Kong subsidiary, True Partner Advisor Hong Kong Limited, is licensed under the SFO to carry out type 9 (asset management) regulated activity, which relates to the provision of a service of managing a portfolio of securities or futures contracts as an intermediary. Such licence was issued on 30 September 2010 and remains in force until suspended or revoked.

Fit and proper requirements

Section 116(3) of the SFO provides that the SFC shall refuse to grant a licence to carry on a regulated activity unless the applicant for licence satisfies the SFC that, *inter alia*, the applicant is a fit and proper person to be licensed for the regulated activity. The applicant must remain fit and proper at all times after the grant of such licences by the SFC.

Pursuant to section 129(1) of the SFO, in considering whether a person is fit and proper for the purpose of licensing or registration, the SFC shall have regard, *inter alia*, to the following:

- financial status or solvency;
- education, qualifications or experience having regard to the nature of the functions to be performed;
- ability to carry on the regulated activity concerned competently, honestly and fairly; and

REGULATORY AND LICENSING REQUIREMENTS

- reputation, character, reliability and financial integrity

of the corporation and other relevant persons as appropriate. The SFC may take into consideration other matters, including any decisions made by authority or regulatory organisations in Hong Kong or elsewhere and any information in possession of the SFC when determining the fit and properness of an applicant.

The SFC is obliged to refuse to grant a licence or registration if the applicant fails to satisfy the SFC that the applicant is a fit and proper person to be licensed. The onus is on the applicant to prove to the SFC that the applicant is fit and proper to be licensed for the regulated activity.

Responsible officers

For a licensed corporation to carry on regulated activities, it must appoint no less than two responsible officers, at least one of whom must be an executive director, to oversee and directly supervise the business of the regulated activities. An executive director of a licensed corporation must be a director who actively participates in, or is responsible for directly supervising, any business of the regulated activities for which the corporation is licensed to carry on. An executive director must be an individual approved by the SFC to serve as the responsible officer of such regulated activities of the corporation.

A person who intends to apply to be a responsible officer must demonstrate that s/he fulfills the requirements on both competence and fit and properness and must have been delegated sufficient authority to effectively supervise the regulated activity s/he is responsible for. An applicant should possess appropriate ability, skills, knowledge and experience to properly manage and supervise the corporation's regulated activities to which s/he is accredited.

Managers-in-Charge of Core Functions ("MICs")

The SFO and the Circular to Licensed Corporations Regarding Measures for Augmenting the Accountability of Senior Management (the "**Circular**") published by the SFC on 16 December 2016 provides that a licensed corporation is required to designate certain individuals as Manager-in-Charge of core functions and provide to the SFC information about its MICs and their reporting lines. MICs are individuals appointed by a licensed corporation to be principally responsible for managing the eight core functions of the licensed corporation including (i) overall management oversight; (ii) key business line; (iii) operational control and review; (iv) risk management; (v) finance and accounting; (vi) information technology; (vii) compliance; and (viii) 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 MIC for each of its core functions.

REGULATORY AND LICENSING REQUIREMENTS

The MICs 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) managing the anti-money laundering and counter-terrorist financing function; (vi) the adequacy and effectiveness of the licensed corporation's internal control systems, including information management compliance, audit or related reviews, operational controls and risk management; and (vii) examining the appropriateness of internal control systems and making any necessary amendments or changes so that they are appropriate for the operations of the licensed corporation's regulated business activities in Hong Kong.

A licensed corporation should ensure that the MIC is an individual which (i) has apparent or actual authority with ability to exert significant influence over the conduct or decisions relating to the particular core function; and is sufficiently senior in the licensed corporation with reporting lines to the board or the MIC with over-all management oversight function;

The management structure of a licensed corporation, including its appointment of MICs, should be approved by the board of directors of the licensed corporation. The board should ensure that each of the MICs has acknowledged his or her appointment as MIC and the particular core function(s) for which s/he is principally responsible for.

Licensed representatives

In addition to the licensing requirements on corporations that carry on regulated activities, any individual who performs any regulated function for his/her principal which is a licensed corporation in relation to the regulated activities carried on as a business or holds himself/herself out as performing such regulated function, must be licensed separately under the SFO as a licensed representative accredited to his/her principal.

A person who intends to apply to be a licensed representative must fulfil the competence requirements as prescribed by the SFC (including in the Guidelines on Competence). An applicant needs to establish that he/she has the requisite basic understanding of the market in which he/she is to work as well as the laws and regulatory requirements applicable to the industry. In assessing his/her competence to be licensed as a representative, the SFC will have regard to academic and industry qualification as well as regulatory knowledge.

Minimum capital requirements

Section 145 of the SFO provides that a licensed corporation is required to maintain at all times paid up share capital and liquid capital not less than the specified amounts in the FRR.

REGULATORY AND LICENSING REQUIREMENTS

The following table summarises the minimum paid-up capital and liquid capital that a licensed corporation is required to maintain for type 9 (asset management) regulated activities:

Regulated activity	Minimum paid-up share capital	Minimum liquid capital
Type 9 (asset management)		
(a) in the case where in relation to Type 9 regulated activity, the corporation is subject to the licensing condition that it shall not hold client assets	Not applicable	HK\$100,000
(b) in any other case	HK\$5,000,000	HK\$3,000,000

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 or loan, any accrued interest payable to any other person, accrued expenses, taxes and 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.

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.

REGULATORY AND LICENSING REQUIREMENTS

Office premises

Licensed corporations are required to have suitable office premises to conduct their 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
- whether confidential or non-public information and client privacy will be sufficiently safeguarded against unauthorised access or leakage.

Ongoing obligations of licensed corporations

Licensed corporations, licensed representatives and responsible officers have a continuing obligation to remain fit and proper as defined under the SFO at all times. They are required to comply with all applicable provisions of the SFO and its ancillary rules and regulations, as well as the codes and guidelines issued by the SFC.

Outlined below are some of the key continuing obligations of a licensed corporation:

- payment of annual fees and submission of annual returns to the SFC within one month after each anniversary date of the licence;
- notification to the SFC of any changes in the appointment of MICs or any changes in certain particulars of MICs pursuant to the Circular to Licensed Corporations Regarding Measures for Augmenting the Accountability of Senior Management dated December 16, 2016 issued by the SFC;
- notification of other changes and events that are required to be notified to the SFC under the Securities and Futures (Licensing and Registration) (Information) Rules (Chapter 571S of the Laws of Hong Kong) including, *inter alia*, change of controlling persons and responsible officers, significant changes of business plan, and changes in capital and shareholding structure. Certain other matters, such as the addition or reduction or modification of licensing conditions, require the prior approval of the SFC;
- compliance with the continuous professional training requirements under the Guidelines on Continuous Professional Training issued by the SFC, including designing and implementing a continuous education system best suited to the training needs of individuals it engages, and ensuring its licensed individuals undertake continuing professional training as required by the SFC;

REGULATORY AND LICENSING REQUIREMENTS

- a licensed corporation must 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;
- 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;
- 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 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 and analysis of its clientele;
- implementation of appropriate policies and procedures relating to client acceptance, client due diligence, record keeping, identification and reporting of suspicious transactions and staff screening, education and training, in accordance with the requirements under the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC in November 2018 (the “**AML & CTF Guideline**”).

Fund Manager Code of Conduct (the “FMCC”)

The FMCC regulates the conduct requirements for persons licensed by or registered with the SFC whose business involves the management of collective investment schemes and/or discretionary accounts (the “**Fund Managers**”). This applies to both licensed or registered corporations and the relevant individuals under the FMCC. Outlined below are some of the key requirements to be complied with by fund managers.

REGULATORY AND LICENSING REQUIREMENTS

Risk management

Pursuant to the FMCC, a Fund Manager should establish and implement effective risk management policies and reporting methodologies. The Fund Manager shall also establish a designated risk management function to identify and quantify the risks of the funds, including the impact from changing market conditions, liquidity risk and operational risk. Risk management policies may include (i) identifying and managing potential risks of a fund throughout the fund life cycle; (ii) ensuring the risk profile is consistent with the portfolio structure and investment strategies of the fund; and (iii) maintaining risks management with each investment of the fund and their overall effects on the fund's portfolio. The Fund Manager should consider, where applicable, the suggested risk-management control techniques and procedures for funds set out in Appendix 2 to the FMCC.

Staff ethics

The FMCC outlines the requirement of personal account dealing of relevant persons, namely employees or directors of a Fund Manager or persons accredited to a Fund Manager for conducting regulated activities. Relevant persons, when transacting for themselves, must give the funds managed by the Funds Manager priority and avoid conflicts of interest. A fund manager should ensure that it has internal rules or provision in its contracts of employment or other agreements with the relevant persons that the relevant persons are required to disclose existing holdings upon joining a Fund Manager and at least semi-annually thereafter and the relevant persons are required to obtain prior written permission for personal account dealing from the compliance officer or other person designated by senior management. A Fund Manager should also maintain appropriate procedures to distinguish personal transactions for relevant persons from other transactions.

Disclosure obligations

Apart from the above obligations, the FMCC imposes additional requirements on Fund Managers that are responsible for the overall operation of a fund. One of the additional duties include enhanced disclosure obligations. The Fund Manager who is responsible for the overall operation of a fund should provide fund investors adequate information which is necessary for them to be able to make an informed judgment about their investment into the fund. Among other things, the Fund Manager should disclose the expected maximum level of leverage which it may employ on behalf of the fund and the basis of the calculation of such leverage to the investors. The Fund Manager should also disclose a summary of the securities lending, transactional information on the fund's use of instruments and the risk management policy at least on an annual basis.

Discretionary accounts management

Appendix 1 of the FMCC sets out the conduct requirements for licensed or registered persons that are involved in the management of discretionary accounts where the licensed or registered persons (a) provide discretionary management services to a client in the form of an investment mandate or a pre-defined model investment portfolio and (b) receive a management fee and/or a performance fee as remuneration. During the Track Record Period, the Group provided management services to four discretionary accounts.

REGULATORY AND LICENSING REQUIREMENTS

A discretionary account manager should ensure a written agreement is entered into with a client before any services are provided to or transactions made on behalf of that client. Such written agreement shall at least contain provisions to the following effect:

- appointment of the discretionary account manager;
- statement of client's investment policy and objectives;
- the amount of all fees to be paid by the client; and
- consent from the client where the discretionary account manager intends to receive soft commission or retain cash rebates.

A discretionary account manager should review the performance of each discretionary account against a previously agreed benchmark at least twice a year. A discretionary account manager should also provide valuation reports to the client on a monthly basis.

Anti-money laundering and 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 AML & CTF Guideline.

The AML & CTF 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 AML & CTF 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 transactions 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 examine 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 the licensed corporation or, alternatively, make arrangements to access to such a database maintained by third party service providers; and

REGULATORY AND LICENSING REQUIREMENTS

- (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.

We set out below a brief summary of the principal legislation of the anti-money laundering and counter-terrorist financing regulatory regime in Hong Kong.

Anti-Money Laundering and Counter-Terrorist Financing Ordinance (“AMLO”)

The AMLO imposes requirements on certain institutions, including licensed corporations as defined under the SFO, relating to client due diligence and record-keeping. The AMLO also provides regulatory authorities with the powers to ensure proper safeguards imposed to prevent contravention of specified provisions in the AMLO and mitigate money laundering and terrorist financing risks.

Drug Trafficking (Recovery of Proceeds) Ordinance (“DTROP”)

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 offences. It is an offence under the DTROP if a person deals with any property knowing, or having reasonable grounds to believe, it to be the proceeds from drug trafficking. The DTROP requires a person to report to an authorised officer if he or she knows or suspects that any property is the proceeds from drug trafficking or is intended to be used or was used in connection with drug trafficking. Failure to make such disclosure constitutes an offence under the DTROP.

Organized and Serious Crimes Ordinance (“OSCO”)

Among other things, the OSCO empowers officers of the Hong Kong Police Force and the Hong Kong Customs and Excise Department to investigate organized crime and triad activities, and it gives the courts jurisdiction to confiscate the proceeds from organized 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 offence to cover the proceeds of all indictable offences in addition to drug trafficking.

The United Nations (Anti-Terrorism Measures) Ordinance (“UNATMO”)

The UNATMO provides that it would be a criminal offence to (i) provide or collect funds 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 or her knowledge or suspicion of terrorist property to an authorized officer, and failure to make such disclosure constitutes an offence under the UNATMO.

REGULATORY AND LICENSING REQUIREMENTS

The United Nations Sanctions Ordinance (“UNSO”)

The UNSO is implemented in Hong Kong. It provides the imposition of targeted sanctions against certain jurisdictions as instructed by the Ministry of Foreign Affairs of the PRC. As at the Latest Practicable Date, there were subsidiary legislations made under this ordinance relating to 13 jurisdictions, including but not limited to Liberia, Libya, Afghanistan, Somalia and the Democratic Republic of the Congo. There are prohibitions against trade-related activities, which include making available to, or for the benefit of, certain persons or entities, any funds or other financial assets or economic resources, or dealing with funds or other financial assets or economic resources of certain persons or entities from the above jurisdictions.

The Weapons of Mass Destruction (Control of Provision of Services) Ordinance (Chapter 526 of the Laws of Hong Kong) (“WMDO”)

The WMDO provides that it is a criminal offence for a person to provide services to another person where the first-mentioned person believes or suspects, on reasonable grounds, that the services will or may assist the development, production, acquisition or stockpiling of weapons of mass destruction. The provision of services for the purposes of the WMDO covers a wide range of activities. The WMDO also provides for the criminal liability of the director, manager, secretary or other similar officer of a body corporate for offences committed by the body corporate with the consent and connivance of such officials.

SUPERVISION BY THE SFC

The SFC supervises licensed corporations and intermediaries operating in the market. The SFC conducts on-site inspections and off-site monitoring to ascertain and supervise intermediaries’ business conduct and compliance with relevant regulatory requirements, as well as to assess and monitor the financial soundness of intermediaries.

Disciplinary power of the SFC

Under Part IX of the SFO, subject to the due process for exercising disciplinary powers laid down in section 198 of the SFO, the SFC may exercise any of the following disciplinary actions against a regulated person (including a licensed person or a registered institution) if that person is found to be guilty of misconduct or not fit and proper to be or remain the same type of regulated person (sections 194 and 196 of the SFO):

- revocation or suspension of all or part of a licence or registration in relation to any of the regulated activities for which a regulated person is licensed or registered;
- revocation or suspension of the approval granted to a responsible officer;
- public or private reprimand on a regulated person;
- prohibition of a regulated person from applying to be licensed or registered or to be approved as a responsible officer;

REGULATORY AND LICENSING REQUIREMENTS

- prohibition of a regulated person from, among others, applying to be licensed, registered or approved as a responsible officer in relation to such regulated activity(ies), for such period as the SFC may specify; and
- pecuniary penalty of the greater of an amount not exceeding HK\$10 million or three times the profit gained or loss avoided as a result of the conduct in question.

Limits on the number of Futures Contracts or Options Contracts

Section 35(1) of the SFO empowers the SFC to make rules to prescribe limits on the number of futures contracts or options contracts that may be held or controlled by a person. The Securities and Futures (Contracts Limits and Reportable Positions) Rules (the “**Rules**”) were made by the SFC under Section 35(1) of the SFO to, *inter alia*, prescribe limits applicable to futures contracts and stock options contracts traded on a recognized exchange company.

Section 4(1) of the Rules imposes restrictions on the maximum number of futures contracts or stock options contracts that may be held or controlled by a person.

Schedule 1 of the Rules specifies the maximum number of futures contracts for any one contract month or series that may be held or controlled by a person. For example, regarding stock futures contracts on shares listed on a stock market operated by the Stock Exchange, the prescribed limit is 5,000 open contracts for any one contract month.

Schedule 2 of the Rules specifies the maximum number of stock options contracts in any one market direction for all expiry months combined that may be held or controlled by a person. For example, regarding stock options contracts on shares listed on a stock market operated by the Stock Exchange, the prescribed limit on open contracts per option class in any one market direction for all expiry months combined is 150,000 contracts.

No person may hold or control futures contracts or stock options contracts in excess of the prescribed limits except as otherwise authorised by the Hong Kong Futures Exchange, the Stock Exchange, or the SFC (as the case may be) in accordance with the Rules. A person who contravenes Section 4(1) of the Rules without reasonable excuse is liable (i) on conviction on indictment to a fine of HK\$100,000 and to imprisonment for 2 years; or (ii) on summary conviction to a fine of HK\$10,000 and to imprisonment for 6 months.

TRANSFER PRICING

Inland Revenue Ordinance (the “IRO”)

Pursuant to section 50AAF of the IRO, if the transfer price between associated enterprises differs from that would have been made between independent persons (the arm’s length provision) and the actual transfer price confers a potential advantage in relation to Hong Kong tax on an advantaged person, for the purpose of Hong Kong tax, the advantaged person’s income or loss is to be computed as if the arm’s length provision had been made or imposed instead of the actual transfer price.

REGULATORY AND LICENSING REQUIREMENTS

Departmental Interpretation and Practice Notes (the “DIPN”) No. 59: Transfer pricing between Associated Persons

Paragraph 3 of the DIPN No. 59 provides that the member countries of the Organisation for Economic Co-operation and Development (the “OECD”) have agreed that in order to achieve a fair division of taxing profits and to address international double taxation, transactions between associated enterprises should be treated for tax purposes by reference to the amount of profits that would have arisen if the same transactions had been undertaken by independent persons – the arm’s length principle.

Paragraph 12 of the DIPN No. 59 also provides that the arm’s length principle effectively requires an assessment of whether the commercial or financial relations and ensuing conditions, transactions and the allocation of profits make commercial sense for all of the parties to the transaction or arrangement, judged from the perspective of independent parties dealing wholly independently with each other.

Paragraph 69 of the DIPN No. 59 further provides that the application of the arm’s length principle is based on comparison of the provisions in a controlled transaction with the provisions that would have been had the parties been independent and undertaking a comparable transaction under comparable circumstances.

DIPN No. 46: Transfer Pricing Guidelines Methodologies and related issues

Paragraph 66 of the DIPN No. 46 provides that the OECD Transfer Pricing Guidelines place emphasis on the importance of comparability analysis and provide detailed descriptions of various transfer pricing methods. These comprise the traditional transaction methods: the comparable uncontrolled price method; the resale price method; and the cost-plus method. The OECD Transfer Pricing Guidelines also discuss the transactional profit methods: the profit-split method and the transactional net margin method, which are also considered to satisfy the arm’s length principle.

Paragraph 8 of the DIPN No. 46 also provides that generally, the commissioner would seek to apply the principles in the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrators, except where they are incompatible with the express provisions of the IRO. Transactions actually undertaken by the associated enterprises would be considered, except where the economic substance differs from its form or the structure is not one that commercially rational independent enterprises would arrange. The use of ranges, such as an inter-quartile range, would be accepted in the determination of an arm’s length price.

REGULATORY AND LICENSING REQUIREMENTS

UNITED STATES REGULATORY OVERVIEW

INTRODUCTION

Our business, as well as the financial services industry generally, is subject to extensive regulation in the United States, which requires our Group to continually monitor and comply with a broad range of legal and regulatory developments that affect our Group's activities. The Company's indirect subsidiary, True Partner Capital USA Holding Inc., is registered as an investment adviser with the Securities and Exchange Commission (the "SEC") under the U.S. Investment Advisers Act of 1940, as amended (the "Advisers Act"). Our Group's business in the United States is subject to regulation by the SEC pursuant to legislation other than the Advisers Act and by other regulators and by self-regulatory organizations, including the U.S. Commodity Futures Trading Commission (the "CFTC") and the U.S. National Futures Association (the "NFA"), and by U.S. state regulators, including Attorneys General and other state level agencies. The Company monitors its compliance with such laws and regulations on a continuing basis. Non-compliance with the Advisers Act or other federal and state securities laws and regulations could result in investigations, sanctions, disgorgement, fines and reputational damage.

Certain of the Company's subsidiaries are also subject to various anti-terrorism financing, privacy, anti-money laundering and economic sanctions laws and regulations established by various U.S. agencies.

REGULATION APPLICABLE TO INVESTMENT ADVISER

Investment advisers generally are required to register with the SEC under the Advisers Act. In addition, investment advisers have a general fiduciary duty to their clients, as well as specific substantive obligations under the Advisers Act.

Definition of Investment Adviser

Section 202(a)(11) of the Advisers Act defines an "investment adviser" as follows:

"Any person who, for compensation, engages in the business of advising others, either directly or through publication or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities."

Fiduciary Duties to Clients

The underlying premise of the Advisers Act is that an investment adviser has a fiduciary duty to its clients to act in their best interests. Several obligations flow from an adviser's fiduciary duties:

- *Full disclosure of material events* – Under the Advisers Act, an adviser has an affirmative obligation of utmost good faith and full and fair disclosure of all facts material to the client's engagement of the adviser to its clients, as well as a duty to avoid misleading them.

REGULATORY AND LICENSING REQUIREMENTS

- *Conflicts of Interest* – An adviser must disclose all material facts related to a conflict – or a potential conflict – of interest with a client so that the client can make an informed decision whether to enter into or continue an advisory relationship with the adviser, or take some other action to protect himself or herself against the conflict.
- *Disciplinary Events and Precarious Financial Condition* – The SEC requires a registered adviser to disclose to clients and prospective clients material facts about: (a) any material facts regarding the financial condition of the adviser that is reasonably likely to impair the adviser's ability to meet contractual commitments to clients; and (b) certain disciplinary events of the adviser (and certain of its officers) occurring within the past 10 years.
- *Suitable Advice* – Advisers owe their clients a duty to provide only suitable investment advice, which generally requires an adviser to make a reasonable inquiry into the client's financial situation, investment experience and investment objectives, and to make a reasonable determination that the advice is suitable in light of the client's situation, experience and objectives.
- *Reasonable Basis for Recommendations* – An adviser must have a reasonable, independent basis for its recommendations.
- *Best Execution* – Where an adviser has responsibility to direct client brokerage, it has an obligation to seek best execution of clients' securities transactions. In meeting this obligation, an adviser must seek to obtain the execution of transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances. In assessing whether this standard is met, an adviser should consider the full range and quality of a broker's services when placing brokerage, including, among other things, execution capability, commission rate, financial responsibility, responsiveness to the adviser and the value of any research provided.
- *Soft Dollars* – Section 28(e) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**") provides a safe harbor from liability for breach of fiduciary duties when an adviser purchases brokerage and research products and services with client commission dollars under specified circumstances. Under Section 28(e), an adviser that exercises investment discretion may lawfully pay commissions to a broker at rates higher than those offered by other brokers, as long as the services provided to the adviser by the broker-dealer: (a) are limited to "research" or "brokerage"; (b) constitutes lawful and appropriate assistance to the adviser in the performance of its investment decision-making responsibilities, and (c) the adviser determines in good faith that the commission payments are reasonable in light of the value of the brokerage and research services received.

REGULATORY AND LICENSING REQUIREMENTS

Registration

Pursuant to Section 203(a) of the Advisers Act, a person that falls within the definition of investment adviser must register with the SEC, unless it either:

- falls within a specific exclusion from the definition of investment adviser in Section 202(a)(11) of the Advisers Act. This generally includes:
 - o Bank and bank holding companies;
 - o Persons acting in certain professional capacities;
 - o Broker-dealers;
 - o Publishers;
 - o Government securities advisers;
 - o Credit rating agencies;
 - o Family offices; or
 - o Governments, government agencies and their employees.
- is prohibited from being registered under the Advisers Act because it manages a limited amount of assets and is regulated by one or more of the states; or
- qualifies for an exemption from the Advisers Act's registration requirement.

Federal Prohibition on SEC Registration

Small Advisers – Advisers with less than US\$25 million under management are prohibited from registering with the SEC and must register in the states in which they are doing business.

Mid-sized Advisers – Investment advisers with between US\$25 million and US\$100 million of assets under management are also subject to state, not SEC, registration, in states in which they do business, unless the adviser is both (1) registered in the state in which it has its principal office and place of business; and (2) not subject to examination in the state.

Prohibitions on Investment Advisers

Under the Advisers Act, an investment adviser is prohibited from carrying out the following activities:

- Employing any device, scheme, or artifice to defraud any client or prospective client; engaging in any transaction, practice, or course of business operating as a fraud or deceit; or engaging in any act, practice or course of business which is fraudulent, deceptive or manipulative to defraud any client or prospective client (*Section 206*);

REGULATORY AND LICENSING REQUIREMENTS

- Acting as principal for its own account (or that of an affiliate), from knowingly selling any security to or purchasing any security from a client for its own account, without disclosing to the client in writing the capacity in which it or its affiliate is acting and obtaining the client's consent before the completion of the transaction (*Section 206(3)*); and
- Using any advertisement that contains any untrue statement of material fact or is otherwise misleading (*Rule 206(4)-1*);

Agency Cross Transactions

Section 206(3) of the Advisers Act prohibits an adviser from knowingly acting as a broker for both its advisory client and the party on the other side of the transaction without obtaining its client's consent before each transaction. Rule 206(3)-2 of the Advisers Act provides a safe harbor from the transaction-by-transaction consent requirement for non-discretionary accounts where:

- The client has executed a written blanket consent after receiving full disclosure of the conflicts involved and renewed annually.
- The adviser provides a written confirmation to the client before the completion of each transaction providing, among other things, the source and amount of any remuneration it receives.
- The disclosure document and each confirmation conspicuously disclose that consent may be revoked at any time.

Custody of Client Assets

A registered adviser with custody of client funds or securities is required by Rule 206(4)-2 of the Advisers Act to take a number of steps designed to safeguard those client assets. Under the Advisers Act, "custody" means holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them. Custody includes: (1) possession of client funds or securities, (2) any arrangement under which an adviser is permitted or authorized to withdraw client funds or securities (such as check-writing authority or the ability to deduct fees from client assets), and (3) any capacity that gives an adviser or its supervised person legal ownership of or access to client funds or securities (such as acting as general partner or trustee of a pooled investment vehicle).

An adviser with custody of client assets must:

- Maintain client funds and securities with "qualified custodians" either under the client's name or under the adviser's name as agent or trustee for its clients. Qualified custodians are: (1) broker-dealers, banks, saving associations, futures commission merchants, and (2) non-U.S. financial institutions that customarily hold financial assets for their customers, if the institutions keep the advisory assets separate from their own.
- Have a reasonable basis, after due inquiry, for believing that the qualified custodian sends quarterly account statements directly to the client.

REGULATORY AND LICENSING REQUIREMENTS

- Notify the client as to where and how the funds or securities will be maintained, promptly after opening an account for the client and following any changes to this information.
- Undergo an annual surprise examination by an independent public accountant to verify the client's funds and securities. This requirement does not apply to an adviser that has custody solely because it has authority to deduct advisory fees directly from client accounts.

The qualified custodian must send quarterly account statements to each investor in the pool and the adviser must obtain a surprise examination of the pool's assets.

Other Substantive Requirements

The Advisers Act and its rules contain other specific substantive obligations for registered investment advisers:

Insider Trading Policy – Section 204A of the Advisers Act requires advisers to create, maintain, and enforce written policies and procedures reasonably designed to prevent the misuse of material, non-public information by the adviser or any of its associated persons.

Code of Ethics – Rule 204A-1 of the Advisers Act requires an investment adviser registered under the Advisers Act to have a code of ethics addressing: (1) the firm's standard of conduct, (2) compliance with federal securities laws, (3) personal securities transactions, (4) pre-approval of transactions, (5) reporting code violations, (6) distribution and acknowledgment of the code, and (7) recordkeeping under the code.

Recordkeeping – Under Rule 204-2 of the Advisers Act, a registered investment adviser must keep certain records for a minimum of five years in an easily accessible place.

Advisory Contracts – The Advisers Act does not require that advisers enter into written contracts with their clients, but section 205 of the Advisers Act requires that certain provisions be included in any agreement and others are prohibited from being included.

An advisory contract agreement must contain (1) a prohibition on assignment; and (2) a right of the client to receive a pro rata return of fees paid in advance on early termination of the agreement.

An advisory contract agreement may not contain: (1) a fee based on a share of the capital gains or appreciation of a client's funds (except for qualified clients as defined in Rule 205-3 of the Advisers Act or for private funds excluded from registration under Section 3(c)(7) of the Investment Company Act) or (2) hedge clauses intended as waivers of a client's rights in the event of an adviser's violation of any provision of the Advisers Act.

Proxy Voting – A registered adviser that exercises voting authority over client securities is required to vote client securities in the best interest of the client and not in its own best interest. Rule 206(4)-6 requires advisers with voting authority over client securities to:

- Adopt and implement written policies and procedures that are reasonably designed to ensure that the adviser votes in the clients' best interests, and which must specifically address conflicts of interest that may arise between the adviser and its clients;

REGULATORY AND LICENSING REQUIREMENTS

- Describe their voting policies and procedures to clients, deliver a copy of the policies and procedures to clients upon request, and inform clients how they can obtain information on how the adviser voted their securities; and
- Keep certain records relating to voting of client securities.

Supervision – An adviser has a continuing responsibility to supervise all persons acting on its behalf. Under Section 203(e)(6) of the Advisers Act, the SEC may sanction an adviser that “has failed reasonably to supervise, with a view to preventing violations of the provisions of such statutes, rules and regulations, another person who commits such a violation, if such other person is subject to supervision.”

Compliance Program – Under Rule 206(4)-7, each registered adviser must establish an internal compliance program that addresses the adviser’s performance of its fiduciary and substantive obligations under the Advisers Act. Each adviser must designate a chief compliance officer who is knowledgeable about the Advisers Act and has the authority to develop and enforce appropriate compliance policies and procedures for the adviser. Each adviser should also adopt and implement written policies and procedures regarding substantially all of the activities of the investment advisers (which activities are described in more detail in SEC policies and regulations) reasonably designated to prevent the adviser or its personnel from violating the Advisers Act. The adviser must review the adequacy and effectiveness of its policies at least annually.

Registration Process

An investment adviser initiates registration with the SEC under the Advisers Act by submitting a Form ADV. The Form ADV is the basic registration form for registration of an investment adviser and consists of two parts. Part 1A of Form ADV requires an investment adviser to provide information on the adviser, including: (1) identifying information, (2) basis of SEC registration eligibility, (3) information on the advisory business, (4) financial industry affiliations, (5) information on private funds managed, (6) proprietary interests in client transactions, (7) custody arrangements, (8) control persons, and (9) criminal and regulatory disciplinary history of the adviser and its related persons. Part 2 of Form ADV contains information to be provided to its investment adviser’s clients in its brochure and brochure supplement and is in a narrative format that includes plain English disclosures of the adviser’s business. Investment advisers must file an annual update to Form ADV and other-than-annual amendments if certain information on a previously-filed Form ADV becomes materially inaccurate.

Registration of True Partner Capital USA Holding Inc.

True Partner Capital USA Holding Inc. is registered as an investment adviser with the SEC under the Advisers Act, with a Central Registration Depository (CRD) number of 283176. A copy of True Partner Capital USA Holding Inc.’s Form ADV is available at: <https://adviserinfo.sec.gov/Firm/283176>.

REGULATORY AND LICENSING REQUIREMENTS

REGULATION OF COMMODITY POOL OPERATORS

General

Under the Commodity Exchange Act (the “CEA”), the CFTC is the federal agency responsible for the regulation of trading in instruments including commodity futures, commodity interests, security futures products, retail forex transactions, and other commodity interest transactions in the U.S. markets.

The Company’s indirect subsidiary, True Partner Advisor Limited, is registered with the CFTC as a commodity pool operator (“CPO”) and is a member of the NFA. True Partner Advisor Limited avails itself of an exemption under CFTC Rule 4.7 with respect to the True Partner Fund and the True Partner Volatility Fund (the “Funds”), allowing it to reduce its disclosure, recordkeeping and reporting requirements (as described below).

Definitions

“Commodity Pool” means any investment trust, syndicate, or similar form of enterprise operated for the purpose of trading commodity interests, including: any future, security futures product, or swap; authorized commodity option or leverage transaction; or retail foreign exchange or commodity transactions as further defined in the CEA.

“CPO” includes any person engaged in a business that is in the nature of a commodity pool and who, in connection therewith, solicits, accepts or receives from others, funds, securities, or property, either directly or through capital contributions, the sale of stock or other forms of securities, or otherwise, for the purpose of trading in commodity interests.

Registration

Absent an available exemption, a firm that falls within the definition of a CPO must register as a CPO with the CFTC. The registration process is administered by the NFA.

As part of the registration process, CPOs are required to design and implement a program for complying with the rules and regulations of the CFTC and NFA. Key topics that must be covered by a firm’s compliance program include:

- Ethics training for employees;
- Annual compliance reviews;
- Inspections of branch offices;
- Registration of new employees; and
- Disaster recovery plan.

REGULATORY AND LICENSING REQUIREMENTS

Annual Filing Requirements

CPOs are required to provide an Annual Registration Update regarding their own registration and the registration and filings with respect to their associated persons and principals. In addition to completing the Annual Registration Update, a registered CPO must complete an Annual Questionnaire and may pay annual NFA membership dues.

Key Compliance Requirements

Disclosure Documents – CFTC Rule 4.21 requires a registered CPO to deliver a disclosure document to a prospective fund investor no later than the time that the CPO delivers a subscription agreement to that prospective investor. CFTC Rules 4.24 and 4.25 specify the particular requirements for the content of the disclosure document, which generally include, among other things, (1) principal risk factors, (2) business background information of the principals of the CPO, each “major commodity trading advisor” (“CTA”), trading managers and each “major investee pool”, (3) investment program information, (4) fee information, (5) information regarding distribution of profits and taxes, (6) past performance disclosure, and (7) beneficial ownership by interested persons.

Account Statements and Annual Reports – CFTC Rule 4.22 requires a registered CPO to prepare and disseminate to fund investors an account statement, which must be presented in the form of a Statement of Operations and a Statement of Changes in Net Assets. CFTC Rule 4.22 also requires a registered CPO to prepare and disseminate to fund investors an annual report with respect to the funds it operators within 90 days after the end of the fund’s fiscal year. The fund’s financial statements must generally be prepared in accordance with U.S. Generally Accepted Accounting Principles.

Recordkeeping – CFTC Rule 4.23 imposes recordkeeping requirements on registered CPOs, both with respect to its funds and the CPO itself. With respect to funds, Rule 4.23(a) requires a registered CPO to maintain, among other things, the following: (1) commodity interest transaction records, (2) receipts and disbursement records, (3) various investor and financial journals and ledgers, (4) trade confirmations, (5) written reports or other communication distributed to investors or prospective investors, (6) account statements and annual reports, (7) certain financial information and (8) other records specifically detailed in CFTC Rule 4.23(a).

Exemptions

“CFTC Lite” Regime – A registered CPO may be able to rely on the “CFTC lite” regime under CFTC Rule 4.7, which substantially reduces the disclosure, recordkeeping and reporting requirements discussed above. The CFTC Lite regime is available with respect to a fund in which each investor is a “qualified eligible person” and the offering of interests therein is exempt from registration under the Securities Act. The definition of “qualified eligible person” includes “qualified purchasers” and “knowledgeable employees” as defined under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). A registered CPO is required to file a notice of exemption with the NFA in connection with relying on the CFTC Lite regime.

REGULATORY AND LICENSING REQUIREMENTS

Reduced Reporting Obligations for Funds – A registered CPO engaged primarily in securities transactions but that uses commodity futures only to a limited extent may rely on CFTC Rule 4.12 (“**Rule 4.12**”) with respect to a fund in order to omit information that Rule 4.21 would otherwise require to appear in the fund’s disclosure document. In addition, the firm would be able to distribute account statements to the fund’s investors quarterly rather than monthly. A CPO seeking to rely on Rule 4.12 must file a claim of exemption with the NFA that makes certain representations as to how the CPO will operate each fund for which the exemption is sought. In order for a CPO to be eligible to rely on Rule 4.12, it must satisfy the following conditions:

- Interests in the fund must be offered pursuant to an effective registration statement or an exemption from registration under the Securities Act;
- The fund must engage generally and routinely in the buying and selling of securities and securities-derived instruments;
- The fund must not enter into transactions in commodity interests for which the aggregate initial margin and premiums exceed 10% of the fair market value of the fund’s assets, after taking into account unrealized profits and unrealized losses on any such contracts it has entered into; and
- The commodity interests held by the fund must be traded in a manner that is “solely incidental” to its securities trading activities.

Registration of True Partner Advisor Limited

True Partner Advisor Limited avails itself of an exemption under CFTC Rule 4.7 with respect to the funds.

REGULATION OF OUR FUNDS UNDER MANAGEMENT

Securities Act

The United States Securities Act of 1933, as amended (the “**Securities Act**”) regulates the offer and sale of securities. Section 5 of the Securities Act requires an issuer to register any offer or sale of its securities unless an exemption applies. If no exemption applies, an offer may not be made unless an issuer has filed a registration statement that contains disclosures required under the SEC rules and a sale may not be made unless the registration statement is effective (which generally does not occur until the SEC’s staff has reviewed it).

REGULATORY AND LICENSING REQUIREMENTS

Securities Act Exemptions

Section 3

Section 3 of the Securities Act exempts certain types of securities from the registration and prospectus delivery requirements under Section 5. Securities exempt from registration under the Securities Act include the following:

- U.S. governmental obligations
- Municipal obligations
- Bank securities
- Commercial paper
- Exchanges with existing security holders
- Court or government approved exchanges

Section 4

Section 4 of the Securities Act exempts from registration under the Securities Act certain transactions, including the following:

- Transactions by any person other than an issuer, dealer or underwriter
- Transactions by an issuer not involving a public offering (Section 4(a)(2))
- Transactions by a dealer that is no longer acting as an underwriter in an offering a specified number of days after a public offering is completed
- Brokers' transactions that are executed on a customer's order on any exchange or in the over-the-counter market
- Transactions by an issuer made only to one or more accredited investors if the aggregate offering price does not exceed US\$5 million, there is no advertising or general solicitation of the transaction and the issuer files a Form D with the SEC within 15 days after the date of the first sale of securities
- Transactions involving the offer or sale of securities by an issuer provided that the aggregate amount sold to all investors under the exemption does not exceed US\$1 million within any 12-month period and all other offering conditions are complied with
- Transactions for resales of securities that meet certain requirements, including that each purchaser is an accredited investor

REGULATORY AND LICENSING REQUIREMENTS

Regulation D

Regulation D (Rules 501 through 506 of the Securities Act) provides specific exemptions from the Securities Act registration requirements relating to transactions not involving a public offering, allowing certain offers and sales of securities without having to register the securities with the SEC. Rules 504 and 506 of Regulation D are considered “safe harbors” under Section 4(a)(2) of the Securities Act and provide objective standards that a company can rely upon to meet the requirements of the Section 4(a)(2) private placement exemption.

An offering under Rule 506(b) is subject to the following requirements:

- (i) no general solicitation or advertising may be used to market the securities;
- (ii) securities may not be sold to more than 35 non-accredited investors;
- (iii) if non-accredited investors participate in the offering, those non-accredited investors, either alone or with a representative, must meet the legal standard of having sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of the prospective investment;
- (iv) if non-accredited investors are participating in the offering, the issuer:
 - A. must give any non-accredited investor disclosure documents that generally contain the same type of information as provided in registered offerings;
 - B. must give any non-accredited investors financial statement information specified in Rule 506; and
 - C. should be available to answer questions from prospective purchasers who are non-accredited investors.

“**Accredited Investor**” includes, among other categories, the following:

- Any director, executive officer or general partner of the issuer of the securities being offered or sold, or any director, executive officer, or general partner of that issuer;
- Any individual whose net worth, or joint net worth with that person’s spouse, at the time of purchase exceeds US\$1 million (excluding the value of the person’s primary residence);
- Any individual who had an income in excess of US\$200,000 in each of the two most recent years or joint income with that person’s spouse in excess of US\$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;
- Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of US\$5 million;

REGULATORY AND LICENSING REQUIREMENTS

- Certain banks, broker dealers, investment companies, business development companies, benefit plans and political subdivisions;
- Any trust, with total assets in excess of US\$5 million, not formed for the specific purpose of acquiring the securities offered; or
- Any entity in which all of the equity owners are accredited investors.

Rule 506 offerings are also subject to “bad actor” disqualifications provisions under Rule 506(d) of Regulation D, which prohibit an issuer from relying on such exemption if any person covered by the rule (which includes the issuer (and its affiliates, its directors and certain officers), its investment manager (and its directors and certain officers), owners of more than 20% of the issuer’s equity and certain promoters and other persons compensated for soliciting investors (and their directors, certain officers and other associated parties) was involved in a “disqualifying event” (which are certain violations relating to securities or other financial misconduct detailed in Rule 506(d)).

Interests in our funds have not been registered under the Securities Act or the securities laws of any U.S. state. Our funds rely on the private offering exemption contained in Section 4(a)(2) of the Securities Act and Rule 506(b) of Regulation D thereunder and applicable related exemptions under state securities laws. Our funds do not engage in general solicitation or advertising to market the interests in the Funds and interests in our funds are only sold to investors who certify to the respective funds that they are accredited investors, and our funds require certifications that a purchaser or relevant related party has not been involved in a disqualifying event as a condition to purchase.

Investment Company Registration

Under Section 3(a)(1)(A) of the Investment Company Act, an “investment company” is any issuer which “...is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities.” Under Section 3(a)(1)(C) of the Investment Company Act, an “investment company” is also any issuer that: “...is engaged or proposes to engage in the business of investing, reinvesting, owning, holding, or trading in securities, and owns or proposes to acquire investment securities having a value exceeding 40% of the value of such issuer’s total assets (exclusive of governmental securities and cash items) on an unconsolidated basis.”

Common Exceptions and Exemptions

- Section 3(b)(1) of the Investment Company Act exempts any issuer primarily engaged, directly or through a wholly-owned subsidiary or subsidiaries, in a business or businesses other than that of investing, reinvesting, owning, holding or trading securities.
- Section 3(c)(1) of the Investment Company Act exempts any issuer that meets both of the following: (1) whose outstanding securities (other than short-term paper) are beneficially owned by fewer than 100 persons, and (2) which is not making or currently proposing to make a public offering of securities. There are detailed and complex attribution rules that apply in determining beneficial ownership of securities under Section 3(c)(1). For example, Section 3(c)(1) requires a “look-through” to the ownership of any entity that is itself relying on the Section 3(c)(1) exemption and that owns 10% or more of the voting securities of an issuer relying on Section 3(c)(1).

REGULATORY AND LICENSING REQUIREMENTS

- Section 3(c)(7) of the Investment Company Act exempts any issuer that meets both of the following: (1) whose outstanding securities are owned exclusively by U.S. persons who, at the time of acquisition of such securities, are “qualified purchasers,” and (2) which is not making or currently proposing to make a public offering of securities. A “Qualified Purchaser” generally includes: (a) a person holding not less than US\$5 million investments, (b) a company with not less than US\$5 million in investments owned by close family members, (c) a trust, not formed for the investment, with not less than US\$5 million in investments, (d) an investment manager with not less than US\$25 million under management, (e) a company with not less than US\$25 million of investments, and (f) a company beneficially owned exclusively by any of the foregoing.

Our funds have not been registered as an investment company under the Investment Company Act, as our funds rely upon an exemption provided by Section 3(c)(7) thereof. In order to invest in our funds, U.S. investors must certify that they qualify as an Accredited Investor, Qualified Client, Qualified Eligible Person and Qualified Purchaser, and our funds have not and do not intend to make public offerings of securities.

Registration Requirements

If an investment company is organized or otherwise created under the laws of the United States or of a state, meets the definition of an investment company and cannot rely on an exemption from registration, generally it must register with the SEC under the Investment Company Act and must register its public offerings under the Securities Act. To register with the SEC, an issuer must file a notification of registration pursuant to Section 8(a) of the Investment Company Act. Within three months after filing a notification of registration, an investment company must file a registration statement with the SEC on the appropriate form.

Other Requirements of Investment Companies

- *Commission and Shareholder Reports* – After registering with the SEC, investment companies must periodically file certain reports with the SEC and send certain reports to their shareholders. For example, registered management investment companies must file Form N-CSR within ten days after the transmission to shareholders of any annual or semi-annual report that is required to be transmitted to shareholders.
- *Minimum Capital Requirements* – Investment companies are subject to minimum capital requirements, including a 1:3 debt-to-equity ratio, 1:2 preferred-to-common equity ratio for closed-end investment companies and prohibition on the issuance of “senior securities” for open-end companies, except borrowings from banks at no more than 1:3 debt-to-equity ratio. No registered investment company and no principal underwriter of a registered investment company may publicly offer an investment company’s shares unless the investment company meets the applicable minimum capital requirements. This capital must be provided with a bona fide investment purpose, without any present intention to dispose of the investment, and must not be loaned or advanced to the investment company by its promoters.

REGULATORY AND LICENSING REQUIREMENTS

- *Unenforceability of Contracts* – Any contract whose performance would violate the Investment Company Act or the rules promulgated under the Investment Company Act (which generally includes any contract by an unregistered investment company) is unenforceable by either party unless a court finds that under the circumstances enforcement would produce a more equitable result than non-enforcement and would not be inconsistent with the purposes of the Investment Company Act.
- *Limitations on Capital Structure* – Section 18 of the Investment Company Act imposes detailed limitations on capital structures, including a 1:3 debt-to-equity ratio, 1:2 preferred-to-common equity ratio for closed-end investment companies and prohibition on the issuance of “senior securities” for open-end companies, except borrowings from banks at no more than 1:3 debt-to-equity ratio.

ANTI-TERRORISM FINANCING, ANTI-MONEY LAUNDERING AND PRIVACY

OFAC

The Office of Foreign Assets Control of the U.S. Department of the Treasury (“**OFAC**”) administers and enforces U.S. economic sanctions against countries, entities and individuals, including terrorist organizations and drug traffickers in the United States. OFAC prohibits U.S. persons (including citizens, residents, U.S. companies and their foreign branches) from engaging in transactions involving property or interests in property belonging to individuals and entities appearing on OFAC’s Specially Designated Nationals and Blocked Persons (SDN) list, absent an applicable exemption or authorization by OFAC. These transactions include (1) making loans to OFAC sanctions targets, (2) making investments in OFAC sanction targets, (3) raising money for OFAC sanction targets, and (4) facilitating any transaction by a non-U.S. person that would be an OFAC sanctioned activity if conducted by a U.S. person.

OFAC administers laws to impose economic and trade sanctions against entities and individuals, including targeted foreign countries, terrorists, international narcotics traffickers and those engaging in activities related to the proliferation of weapons of mass destruction. OFAC sanctions include blocking assets, trade embargoes, prohibiting unlicensed trade or financial transactions, travel bans and other financial and commercial prohibitions.

Prospective investors in our funds are required to represent and warrant to the applicable Fund, among other things, that the investor is not (i) named on any list of sanctioned entities or individuals maintained by OFAC, (ii) operationally based or domiciled in a country or territory in relation to which sanctions imposed by OFAC apply, or (iii) otherwise subject to sanctions imposed by OFAC.

Bank Secrecy Act and USA PATRIOT Act

Under The Bank Secrecy Act of 1970, as amended by the Uniting and Strengthening America by Providing Appropriate Tools Required To Intercept and Obstruct Terrorism Act of 2001, financial institutions are required to establish AML programs that must include, among other things, (1) designation of an AML compliance manual, (2) written policies and procedures reasonably designed to detect, identify and report AML transgressions, (3) AML employee training programs, and (4) independent testing of AML policies and procedures.

REGULATORY AND LICENSING REQUIREMENTS

While registered investment advisers are not expressly included within the definition of “financial institution” for purposes of these laws, because they conduct financial transactions for their clients through financial institutions (that are subject to AML requirements), investment advisers indirectly participate in AML policies and procedures.

Prospective investors in our funds are required to represent and warrant to the applicable Fund, among other things, that (i) the investor and its underlying owners or related persons are not resident in, or organized or chartered under a jurisdiction that has been designated by the Secretary of the Treasury as warranting special measures due to money laundering concerns or any foreign country that has been designated as non-cooperative with international anti-money laundering principles or procedures by an intergovernmental group or organization, (ii) the subscription funds of the investor do not originate from, nor will they be routed through, accounts maintained at certain foreign banks, and (iii) neither the investor, nor any underlying owner or related person is a senior foreign political figure or immediate family member or close associate of a senior foreign political figure.

Regulation S-P

Regulation S-P governs the privacy of consumer financial information and requires registered investment advisers to (1) provide their customers with an initial and annual notice of their privacy policies and practices, (2) not disclose non-public personal information about their consumers to non-affiliated third parties unless the adviser has provided such consumer with notice of their privacy policies and practices, and (3) provide a method for customers/consumers to prevent the adviser from disclosing their non-public personal information.

Our Group’s privacy policies are provided to clients and prospective clients and are available on our Group’s website.

CAYMAN REGULATORY OVERVIEW

Securities Investment Business Law

Securities Investment Business Law (as revised) of the Cayman Islands (“**SIBL**”) provides for the licensing, registration and control of persons engaged in securities investment business in the Cayman Islands and for incidental and connected purposes.

SIBL applies to the following:

- (i) companies, general, limited and exempted partnerships and foreign companies incorporated or registered in the Cayman Islands;
- (ii) such entities are regulated wherever they carry on their securities investment business regardless of whether or not such business is ever carried on in the Cayman Islands. It is the fact of incorporation or registration in the Cayman Islands that attracts regulation by SIBL; or
- (iii) any person or entity incorporated or based anywhere else in the world but with an established place of business in the Cayman Islands through which the securities investment business is carried on.

REGULATORY AND LICENSING REQUIREMENTS

Under the SIBL, a person (which includes the Company) shall not carry on or purport to carry on securities investment business unless that person holds a licence or registration granted under the SIBL or is exempt from holding a licence or registration.

A person carries on securities investment business if that person is engaged in the course of business, in any one or more of the following activities:

1. *Dealing in securities*

- (a) buying, selling, subscribing for or underwriting securities as an agent; or
- (b) buying, selling, subscribing for or underwriting securities as principal where the person entering into that transaction -
 - (i) holds themselves out as willing, as principal, to buy, sell or subscribe for securities of the kind to which the transaction relates at prices determined by that persons generally and continuously rather than in respect of each particular transaction;
 - (ii) holds themselves out as engaging in the business of underwriting securities of the kind to which the transaction relates; or
 - (iii) regularly solicits members of the public with the purpose of inducing them, as principals or agents, to buy, sell, subscribe for or underwrite securities and such transaction is entered into as a result of such person having solicited members of the public in that manner.

2. *Arranging deals in securities*

Making arrangements with a view to -

- (a) another person (whether as a principal or an agent) buying, selling, subscribing for or underwriting securities; or
- (b) a person who participates in the arrangements buying, selling, subscribing for or underwriting securities.

3. *Managing securities*

Managing securities belonging to another person in circumstances involving the exercise of discretion.

4. *Advising on securities*

Advising a person on securities if the advice is -

- (a) given to the person in that person's capacity as an investor or potential investor or in that person's capacity as agent for an investor or a potential investor; and

REGULATORY AND LICENSING REQUIREMENTS

- (b) advice on the merits of that person's doing any of the following (whether as principal or agent) – (i) buying, selling, subscribing for or underwriting a particular security; or (ii) exercising any right conferred by a security to buy, sell, subscribe for, or underwrite a security.

5. *Managing EU Connected Funds*

Performing investment management functions, comprising at least of risk or portfolio management, for one or more EU Connected Funds as notified to the relevant competent authority of the relevant Member State in accordance with the relevant laws and regulations implementing the AIFMD in the Member State.

6. *Marketing EU Connected Funds*

Marketing the shares, trust units or partnership interests of an EU Connected Fund to investors or potential investors in a Member State, as notified to the relevant competent authority of the relevant Member State in accordance with the relevant laws and regulations implementing the AIFMD in the Member State.

7. *Acting as Depositary of an EU Connected Fund*

Performing the function of a depositary for an EU Connected Fund in accordance with the relevant laws and regulations implementing AIFMD in any Member State.

Under the SIBL, a person may be considered to purport to carry on securities investment business where that person:

- (a) uses one or more words which connote securities investment business, either in English or in any other language, in the description or title under which that person carries on business;
- (b) makes a representation in a document or in any other manner that that person is carrying on securities investment business; or
- (c) otherwise holds themselves out as carrying on securities investment business.

A person specified in Schedule 4 of the SIBL (as set out below) is required to be registered with the Cayman Islands Monetary Authority (“**CIMA**”) and such person, in order to be registered, shall file an application in the prescribed form and pay the prescribed registration fee to CIMA. A person so registered is referred to as a “**registered person**” under the SIBL.

1. A company within a group of companies carrying on securities investment business exclusively for one or more companies within the same group.

REGULATORY AND LICENSING REQUIREMENTS

2. A person carrying on securities investment business exclusively for one or more of the following classes of persons -

- (a) a sophisticated person;
- (b) a high net worth person; or
- (c) a company, partnership or trust (whether or not regulated as a mutual fund) of which the shareholders, unit holders or limited partners are one or more persons falling within (a) or (b),

and who has a registered office or a place of business in the Cayman Islands for which services are provided by a person licensed to provide such services.

3. A person to whom section 4(1) of SIBL applies but who is regulated in respect of securities investment business by a recognised overseas regulatory authority in the country or territory (other than the Cayman Islands) in which the securities investment business is being conducted.

“sophisticated person” means a person –

- (a) regulated by CIMA;
- (b) regulated by a recognised overseas regulatory authority;
- (c) any of whose securities are listed on a recognised securities exchange; or
- (d) who -
 - (i) by virtue of knowledge and experience in financial and business matters is reasonably to be regarded as capable of evaluating the merits of a proposed transaction; and
 - (ii) participates in a transaction with a value or in monetary amounts of at least CI\$80,000 or its equivalent in any other currency, in the case of each single transaction.

“high net worth person” means –

- (i) an individual whose net worth is at least CI\$800,000 or its equivalent in any other currency; or
- (ii) any person that has total assets of not less than CI\$4,000,000 or its equivalent in any other currency.

True Partner Advisor Limited is currently registered as a “registered person” under SIBL.

REGULATORY AND LICENSING REQUIREMENTS

Where a registered person ceases to carry on securities investment business the registered person shall within twenty-one days after the date of ceasing to carry on in the Cayman Islands any regulated activity listed in Schedule 2 of SIBL:

- (a) notify CIMA of its intention to deregister; and
- (b) file the prescribed details to deregister in the manner specified by CIMA.

A registered person shall notify CIMA within twenty-one days after any material change in the information filed by the registered person in its application or annual declaration.

A registered person shall (a) file with CIMA, on or before the 15th day of January in each year, an annual declaration in such form as the authority may approve; and (b) pay to CIMA the prescribed annual fee at the time of the filing of the declaration. A registered person who fails to pay the prescribed annual fee shall pay a surcharge of one-twelfth of that fee for every month or part of a month after the 15th January in each year that the fee is not paid.

A registered person shall separately account for the funds and property of each client and for the licensee's or registered person's own funds and property.

A registered person shall have, where the registered person is a company incorporated under the Companies Law (2020 Revision) (such as the Company), a minimum of (i) two directors who are individuals; or (ii) one corporate director, each of whom is complying with the Directors Registration and Licensing Law, 2014 of Cayman Islands.

Economic Substance

The International Tax Cooperation (Economic Substance) Law (as revised) ("**ES Law**") of the Cayman Islands came into force on 1 January 2019.

The economic substance test under the ES Law ("**ES Test**") requires that a relevant entity conducting a relevant activity:

- (a) conducts Cayman Islands core income generating activities ("**Cayman Islands CIGA**") in relation to that relevant activity;
- (b) is directed and managed in an appropriate manner in the Cayman Islands in relation to that relevant activity; and
- (c) having regard to the level of relevant income derived from the relevant activity carried out in the Cayman Islands -
 - (i) has an adequate amount of operating expenditure incurred in the Cayman Islands;
 - (ii) has an adequate physical presence (including maintaining a place of business or plant, property and equipment) in the Cayman Islands; and

REGULATORY AND LICENSING REQUIREMENTS

- (iii) has an adequate number of full-time employees or other personnel with appropriate qualifications in the Cayman Islands.

A “**relevant entity**” means -

- (a) a company, other than a domestic company, that is -
 - (i) incorporated under the Companies Law (as revised) of the Cayman Islands; or
 - (ii) a limited liability company registered under the Limited Liability Companies Law (2018 Revision);
- (b) a limited liability partnership that is registered in accordance with the Limited Liability Partnership Law, 2017;
- (c) a company that is incorporated outside of the Cayman Islands and registered under the Companies Law (2018 Revision);

but does not include (i) an investment fund; or (ii) an entity that is tax resident outside the Cayman Islands.

“**Relevant activities**” includes each of the following:

- (a) banking business;
- (b) distribution and service centre business;
- (c) financing and leasing business;
- (d) fund management business;
- (e) headquarters business;
- (f) holding company business;
- (g) insurance business;
- (h) intellectual property business; or
- (i) shipping business;

but does not include investment fund business.

“**Cayman Islands CIGA**” means activities that are of central importance to a relevant entity in terms of generating relevant income and which, if carried on by a relevant entity in terms of generating relevant income, must be carried on in the Cayman Islands. For fund management business, they include (i) taking decisions on the holding and selling of investments; (ii) calculating risk and reserves; (iii) taking decisions on currency or interest fluctuations and hedging positions; and (iv) preparing reports or returns, or both, to investors or CIMA, or both.

REGULATORY AND LICENSING REQUIREMENTS

A company, limited liability company or limited liability partnership incorporated or established in the Islands is not regarded as a relevant entity for the purposes of the ES Law if it is tax resident outside the Islands. CIMA will regard an entity as tax resident in a jurisdiction other than the Cayman Islands if the entity is subject to corporate income tax on all of its income from a relevant activity by virtue of its tax residence, domicile or any other criteria of a similar nature in that other jurisdiction.

Mutual Funds Law and Private Funds Law

The Mutual Funds Law (as revised) of the Cayman Islands (the “**Mutual Funds Law**”) regulates the activities of mutual funds. A mutual fund shall not carry on or attempt to carry on business in or from the Cayman Islands unless it complies with the provisions of the Mutual Funds Law.

A “mutual fund” is defined as a common investment vehicle which issues “equity interests” that allows participation amongst a pool of investors in the profits or gains of such vehicle’s investments. These investment vehicles can be structured as companies, unit trusts or limited partnerships. An “equity interest” means a share in a company, a unit in a unit trust or an interest in a partnership that carries an entitlement to participate in profits or gains and which is redeemable or repurchasable at the option of the investor. Accordingly, closed-end funds, whose equity interests are not redeemable at the option of the investor, are not required to comply with the Mutual Funds Law. Closed-end funds are however subject to the regulation of the Private Funds Law (as revised) of the Cayman Islands.

There are four types of mutual funds under the Mutual Funds Law:

- limited investor mutual funds;
- registered mutual funds;
- administered mutual funds;
- licensed mutual funds.

In general terms, a mutual fund will be carrying on business in or from the Cayman Islands if:

- (a) it is incorporated or established in the Cayman Islands; or
- (b) it is managed or administered in the Cayman Islands, regardless of its place of incorporation or establishment.

For a registered mutual fund, the initial minimum subscription per investor must be at least US\$100,000 (or equivalent). A registered mutual fund is not required to be licensed. Instead, it is required to register its offering document and certain prescribed details relating to the offering of its equity interests with CIMA. A registered fund is also required to register subsequent amended offering documents which materially affects any information in the offering documents previously filed with CIMA. Fees are payable to CIMA on registration and annually thereafter, and other subsequent filings/registrations. All registered mutual funds must have their audited financial statements prepared or signed off by an approved Cayman Islands auditor and filed with CIMA within six months of their financial year end unless waived by CIMA.

REGULATORY AND LICENSING REQUIREMENTS

An offering document in respect of equity interests in a mutual fund shall (a) describe the equity interests in all material respects; and (b) contain such other information as is necessary to enable a prospective investor in the mutual fund to make an informed decision as to whether or not to subscribe for or purchase the equity interests.

Director Registration and Licensing

The Directors Registration and Licensing Law, 2014 of Cayman Islands imposes registration obligations on directors of registered mutual funds and companies registered or licensed under the SIBL. The registration fee is US\$854 per director. Licences are required for “Professional Directors”, being natural persons appointed to the boards of 20 or more Covered Entities and corporate directors of Covered Entities. Licence fees for Professional and Corporate directors are US\$3,660 and US\$9,756, respectively. A “Covered Entity” is (a) a company to which paragraphs 1 and 2 of Schedule 4 of SIBL apply; or (b) a mutual fund regulated under the Mutual Funds Law.

Data Protection Law

The Data Protection Law, 2017 of Cayman Islands (“DPL”) applies to personal data of a data subject that is processed by data controllers or data processors. Key definitions are as follows:

personal data: data relating to a living individual who can be identified, including (i) location data, online identifiers or factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of the individual; (ii) an expression of opinion about the individual; and (iii) any indication of the intentions of the data controller or any other person in respect of the individual

data subject: an identified living individual or a living individual who can be identified directly or indirectly by means reasonably likely to be used by the data controller or by any other person

data controller: a person who, alone or jointly with others determines the purposes, conditions and manner in which any personal data are, or are to be, processed

data processor: any person who processes personal data on behalf of a data controller but, for the avoidance of doubt, does not include an employee of the data controller

These definitions are broad and it is expected that almost any business will have to assess whether it is a data controller or data processor under the DPL.

The DPL applies to any legal or natural person that processes personal data.

The DPL applies to a data controller in respect of any personal data only if (a) the data controller is established in the Cayman Islands and the personal data are processed in the context of that establishment; or (b) the data controller is not established in the Cayman Islands, but the personal data are processed in the Cayman Islands otherwise than for the purposes of transit of the data through the Cayman Islands. A data controller referred to in (b) is required to nominate a local representative established in the Cayman Islands who shall, for all purposes within the Cayman Islands, be the data controller and bear all obligations under the DPL as if the representative were the data controller.

REGULATORY AND LICENSING REQUIREMENTS

Data Protection Principles

Schedule 1 to the DPL sets out eight data protection principles (and their interpretation). Personal data shall:

- (i) be processed fairly and only if, in every case, at least one of the conditions set out in paragraphs 1 to 6 of Schedule 2 is met and, in the case of sensitive personal data, at least one of the conditions in paragraphs 1 to 10 of Schedule 3 is also met;
- (ii) be obtained only for one or more specified lawful purposes, and shall not be further processed in any manner incompatible with that purpose or those purposes;
- (iii) be adequate, relevant and not excessive in relation to the purpose or purposes for which they are collected or processed;
- (iv) be accurate and, where necessary, kept up to date;
- (v) not be kept for longer than is necessary for the purpose for which it was processed;
- (vi) be processed in accordance with the rights of data subjects under the DPL;
- (vii) be protected by appropriate technical and organisational measures against unauthorised or unlawful processing and against accidental loss, destruction or damage; and
- (viii) not be transferred to a country or territory unless that country or territory ensures an adequate level of protection for the rights and freedoms of data subjects in relation to the processing of personal data.

Data Subjects

Personal data may only be processed if:

- (i) the data subject has consented;
- (ii) the processing is necessary for the performance of a contract to which the data subject is a party or taking steps at the request of the data subject with a view to entering into a contract;
- (iii) it is necessary to comply with a (non-contractual) legal obligation;
- (iv) it is necessary to protect the vital interests of the data subject;
- (v) it is necessary for the administration of justice, the exercise of any statutory functions, the functions of government, or any other functions of a public nature carried out in the public interest;
- (vi) it is necessary in connection with the legitimate interests of the data controller or any third party, unless it would prejudice the rights and freedoms or legitimate interests of the data subject.

REGULATORY AND LICENSING REQUIREMENTS

Subject to certain exceptions, the DPL grants individuals the right (a) to access their own personal data and (b) to demand that general processing and processing for direct marketing purposes cease.

European Union Regulatory Overview

The Alternative Investment Fund Managers Directive 2011/61/EU (“**AIFMD**”) is an EU law on the financial regulation of hedge funds, private equity, real estate funds, and other “Alternative Investment Fund Managers” (“**AIFMs**”) in the European Union. The Directive requires all covered AIFMs to obtain authorization, and make various disclosures as a condition of operation.

United Kingdom Regulatory Overview

The National Private Placement Regime (“**NPPR**”) allows some Alternative Investment Fund Managers (“**AIFMs**”) to market certain categories of Alternative Investment Funds (“**AIFs**”) in the UK in accordance with the Alternative Investment Fund Managers Regulations 2013 (as amended).

To market under NPPR in the UK, an AIFM must meet a number of conditions before making a notification, as detailed in regulations 57, 58 and 59 of the UK AIFM Regulations. The notification must include a declaration from the AIFM that the management of the AIF complies with the relevant conditions in the UK AIFM Regulations.

Netherlands Regulatory Overview

The Financial Markets Supervision Act Amendment 2014 pertains to the Dutch private placement regime (section 1:13b FMSA) that (i) a non-European Economic Area (“**non-EEA**”) AIFM can rely on for the offering of units in an AIF in the Netherlands or managing an AIF with seat in the Netherlands, and (ii) an European Economic Area (“**EEA**”) AIFM with an AIFMD licence can rely on for the offering of units in a non-EEA AIF.

According to the Act, (a) a non-EEA AIFM can rely on the private placement regime if:

- the units in the AIF are only offered to qualified investors;
- the state where the AIFM is established is not listed as a non-cooperative country and territory by the Financial Action Task Force;
- a cooperation agreement is in place between the AFM and the supervisory authorities of the home state of the AIFM, (the “**PPR Requirements**”).

After emailing a completed notification form to the AFM, the non-EEA AIFM may start marketing the identified AIF to qualified investors in the Netherlands. An additional requirement that stems simultaneously with the notification form is the submission of an attestation from the AIFM’s competent authority, and if applicable, the competent authority of the country where the non-EU AIF is established, confirming its ability to effectively comply with the cooperation agreement as referred to above; and (b) an EEA AIFM with an AIFMD licence can rely on the private placement regime for its non-EEA AIF if the PPR Requirements are met, provided that the PPR Requirements pertain to the AIF instead of the AIFM.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

Prior to joining our Group, our CEO, Mr. Ralph van Put and our chief technology officer Mr. Roy van Bakel and our head of research Mr. Thorsten Gragert, who are instrumental to the implementation of our trading strategy as well as the development of our proprietary trading platform, worked together for more than a decade in various ventures relating to options trading. In particular, they led the software development of risk management software for market makers at AtomPro (to transition from pit trading to screen-based automated trading) from 1995. AtomPro subsequently partnered with Saen Options, an independent proprietary trading company and market maker with a focus on European markets.

For over a decade at Sean Options, Mr. Ralph van Put worked with most of our other senior management team members, including one of our co-chief investment officers, Mr. Govert Heijboer, who is instrumental to the formulation and development of our trading strategy, later joined by our second co-chief investment officer, Mr. Tobias Hekster who worked at IMC prior to joining our Group, another Dutch global market making firm. Leveraging their experience in developing option trading and risk management software and directing the expansion of proprietary trading business, T8 Software Consulting Limited was established in October 2009. Since the release of our trading technology by T8 Software Consulting Limited, the Typhoon Trader ®, in 2010, our Group has enabled our traders to manage global positions of portfolios of stocks and derivatives of multiple asset classes and denominated in multiple currencies traded on major stock and derivative markets and exchanges during trading hours on our technology platform.

In 2010, we obtained a licence from the SFC to carry on type 9 (asset management) regulated activity for True Partner Advisor Hong Kong Limited. We shifted our focus from market making to market taking involving relative value volatility strategies under the “True Partner” name in 2011 when we launched the True Partner Fund with an aim to generate uncorrelated returns. With an aim to extend our business globally, we launched our Chicago office in 2016 and we became licensed by the SEC as a registered investment advisor. In the same year, the True Partner Volatility Fund was launched with a focus on identifying under-priced and overpriced volatility. After establishing our presence in the U.S., we launched our office in Amsterdam in 2018 to support our operations and to cope with our expansion in Europe. We commenced our managed account business in 2019. Throughout our history, we have executed more than 4,000,000 trades and as at 31 August 2020 (being the latest practicable date of this information), we have attained AUM in respect of funds under management on a firm-wide basis of approximately US\$1.6 billion. Please refer to the section headed “Business – Our funds under management” in this prospectus for details.

For information on the background of Mr. Ralph van Put, Mr. Roy van Bakel, Mr. Thorsten Gragert, Mr. Govert Heijboer, Mr. Tobias Hekster and our other senior management members, please refer to the section headed “Directors and Senior Management” for details.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS DEVELOPMENT AND MILESTONES

We set out in the table below a summary of our key business developments and milestones of our Group's business:

Year	Milestone event
2010	<p>Our trading technology, Typhoon Trader®, was released.</p> <p>True Partner Advisor Hong Kong Limited was granted a licence by the SFC to carry on type 9 (asset management) regulated activities under the SFO.</p>
2011	<p>Our True Partner Fund with an aim to generate uncorrelated returns by adopting a volatility neutral approach was launched.</p> <p>Our Group engaged Bank of America Securities (formerly known as Bank of America Merrill Lynch International) as our prime broker.</p>
2013	Our Group's AUM exceeded US\$100 million.
2014	Our data centre came into operation in Hong Kong.
2015	True Partner Fund was awarded the Arbitrage of Relative Value category at the AsiaHedge Award by AsiaHedge.
2016	<p>Our Chicago office was launched and licensed by the SEC as a Registered Investment Advisor.</p> <p>Our True Partner Volatility Fund with a focus on identifying underpriced and overpriced volatility was launched.</p> <p>Our data centers in Amsterdam and Chicago came into operation.</p>
2017	Our Group's AUM exceeded US\$300 million.
2018	Our Amsterdam office was established and our Group's AUM reached a new record of US\$500 million.
2019	<p>True Partner Fund was awarded the Relative Value category at the HFMWeek Hedge Fund Asia Awards by HFMWeek.</p> <p>Our executive Directors, Godefriedus Jelte Heijboer, Tobias Benjamin Hekster and Ralph van Put were awarded the Tomorrow's Titans (fifty rising Fund managers) ^(Note) by the Hedge Fund Journal.</p> <p>Our Group's AUM exceeded US\$1 billion.</p>

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Note:

Tomorrow's Titans was launched by The Hedge Fund Journal in 2010 as a biennial report to nominate global investment managers which are rising stars in the industry and have the potential to become leading managers within their strategies. Nominations come from readers, subscribers and contacts of The Hedge Fund Journal, including: pension funds, family offices, endowments, foundations, funds of funds, private banks and wealth managers, insurance companies, prime brokers, administrators, custodians, depositaries, law firms, accountancy firms, exchanges, technology providers, and others.

OUR GROUP STRUCTURE AND CORPORATE HISTORY

As at the Latest Practicable Date, our Group consists of (i) our Company; (ii) one intermediate holding company incorporated in Hong Kong; (iii) six operating subsidiaries incorporated in Hong Kong; (iv) four operating subsidiaries incorporated in the U.S.; (v) one operating subsidiary incorporated in the PRC; and (vi) one operating subsidiary incorporated in the Cayman Islands.

In preparation for the Listing, we have carried out the Reorganisation with a view to minimise the overlapping of our business resources such that each of the subsidiaries has a well defined business focus. For details, please refer to the paragraph headed "Reorganisation" in this section below.

Our Company

Our Company was incorporated on 23 November 2018 in the Cayman Islands as an exempted company with limited liability, with an authorised share capital of HK\$10,000.00 divided into 1,000,000 shares of par value HK\$0.01 each. Upon completion of the Reorganisation, our Company became the holding company of our Group, details of which are set out in the paragraph headed "Reorganisation" in this section. The Company was established to act as the listing vehicle of our Group.

Our intermediate holding company

True Partner Holding Limited (Hong Kong)

True Partner Holding Limited was incorporated in Hong Kong with limited liability on 19 April 2010 with an issued share capital of HK\$16,240,000 divided into 162,400 shares of HK\$100.00 each. Upon incorporation, it was owned as to approximately 50% by Godefriedus Jelte Heijboer, 40.625% by Independent Third Parties and 9.375% by Red Seven Investment Ltd, respectively.

As part of the Reorganisation and pursuant to the sale and purchase agreement between True Partner Singapore Holding Pte. Ltd. and our Company dated 31 October 2019, True Partner Singapore Holding Pte. Ltd. transferred the entire issued shares in True Partner Holding Limited to our Company for the consideration of HK\$1.00. After such transfer, True Partner Holding Limited was owned directly by our Company.

During the Track Record Period, Edo Bordoni transferred 22 shares, representing 0.01% of the issued share capital, in True Partner Singapore Holding Pte. Ltd., to Godefriedus Jelte Heijboer for the consideration of HK\$7,850 on 3 September 2018. Save as aforesaid and except for change effected pursuant to the Reorganisation, there were no other changes in the shareholding of True Partner Singapore Holding Pte. Ltd. during Track Record Period.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Set out below is the shareholding structure of True Partner Singapore Holding Pte. Ltd. (i) at the beginning of the Track Record Period on 1 January 2018, and (ii) immediately after the aforesaid transfer.

Shareholders	Number of Shares held in True Partner Singapore Holding Pte. Ltd. as at 1 January 2018	Approximate percentage of the entire issued share capital of True Partner Singapore Holding Pte. Ltd. as at 1 January 2018	Number of Shares held in True Partner Singapore Holding Pte. Ltd. immediately after the aforesaid transfer on 3 September 2018	Approximate percentage of the entire issued share capital of True Partner Singapore Holding Pte. Ltd. immediately after the aforesaid transfer on 3 September 2018
Red Seven Investment Ltd	20,225	9.27%	20,225	9.27%
Godefriedus Jelte Heijboer	40,600	18.61%	40,622	18.62%
True Partner Participation Limited	40,600	18.61%	40,600	18.61%
Tobias Benjamin Hekster	47,332	21.69%	47,332	21.69%
Dao Management Ltd	4,000	1.83%	4,000	1.83%
Edo Bordoni	21,820	10.00%	21,798	9.99%
True Partner International Limited	32,733	15.00%	32,733	15.00%
Johan Marianus Cecil Cornelissen	8,728	4.00%	8,728	4.00%
Remco Janssen	2,182	1.00%	8,728	1.00%
Total	218,220	100.00%	218,220	100.00%

As disclosed in the paragraph headed “Step 2: Transfer of True Partner Singapore Holding Pte. Ltd. to our Company” below in this section, pursuant to the Reorganisation, on 26 June 2019, each of the shareholders of True Partner Singapore Holding Pte. Ltd. transferred all of their respective shares in True Partner Singapore Holding Pte. Ltd., representing a total of 218,220 shares and the entire issued share capital of the company, to our Company. As a result, at the end of the Track Record Period on 31 December 2019, True Partner Singapore Holding Pte. Ltd. was wholly owned by our Company and became dormant upon completion of Step 3 of the Reorganisation.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Our material operating subsidiaries

The table below sets forth details of our material operating subsidiaries:

Name	Place and date of incorporation	Equity ownership as at 1 January 2018 (i.e. beginning of the Track Record Period) or date of incorporation (if the incorporation date is later than 1 January 2018)	Equity ownership after completion of the Reorganisation	Principal business activities as at the Latest Practicable Date
T8 Software Consulting Limited	Hong Kong 5 October 2009	100% by True Partner Holding Limited	100% by True Partner Holding Limited	Developing and supporting our trading platform and associated proprietary software
True Partner Advisor Limited	Cayman Islands 5 May 2010	100% by True Partner Holding Limited	100% by True Partner Holding Limited	Providing investment management services to True Partner Fund, True Partner Volatility Master Fund, Managed Account B and Managed Account C
True Partner Advisor Hong Kong Limited	Hong Kong 31 May 2010	51% by True Partner Advisor Limited (Note 1)	51% by True Partner Advisor Limited (Note 1)	Providing management service for a portfolio of securities or futures contracts as the HK Sub-Manager
True Partner Volatility Fund GP, LLC	Delaware, the USA 13 July 2016	99% by True Partner Advisor Limited 0.5% by Ralph Van Put (Note 2) 0.5% by Tobias Benjamin Hekster (Note 2)	99% by True Partner Advisor Limited 0.5% by Ralph Van Put (Note 2) 0.5% by Tobias Benjamin Hekster (Note 2)	Acting as the general partner of True Partner Volatility U.S. Fund, LP
True Partner Onshore Fund GP, LLC	Delaware, the USA 21 March 2019	100% by True Partner Advisor Limited	100% by True Partner Advisor Limited	Acting as the general partner of True Partner Onshore Fund, LP
Chengdu HuLi Management Consulting Ltd	PRC 2 April 2019	100% by True Partner Capital USA Holding, Inc. (Note 3)	100% by True Partner Capital USA Holding, Inc. (Note 3)	Providing business consultancy services

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

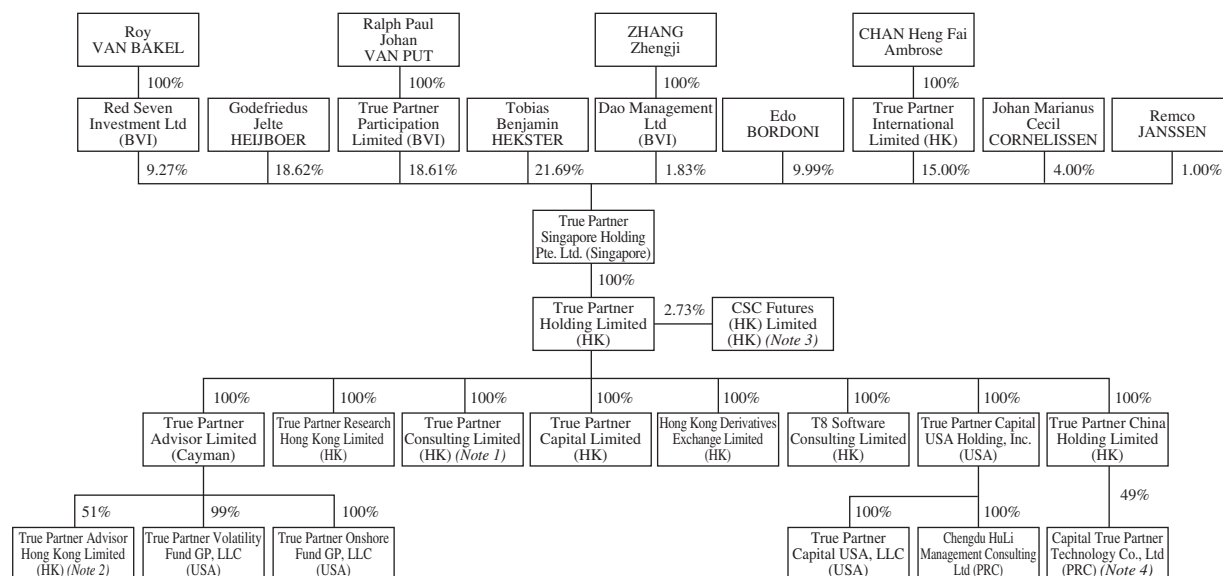
Notes:

1. The other shareholder of True Partner Advisor Hong Kong Limited is Capital Futures Corp., a customer of our Group during the Track Record Period.
2. True Partner Volatility Fund GP, LLC is owned as to 0.5% by Mr. Ralph Van Put and 0.5% by Mr. Tobias Benjamin Hekster, each being an executive Director of our Company.
3. True Partner Capital USA Holding, Inc. was under common control of our Group throughout the Track Record Period and merger accounting is appropriately applied for Chengdu HuLi Management Consulting Ltd.

We have adopted a group structure with a number of subsidiaries with each having a specific business and operational focus. We believe this structural delineation and transparency would enable our Group to better manage and monitor the operations of our businesses, as well as allows for flexibility and effective control in the relevant licensing, compliance and risk management.

REORGANISATION

The following chart sets forth the corporate structure of our Group immediately prior to the Reorganisation:



Notes:

1. True Partner Consulting Limited was previously known as True Partner Education Limited prior to its change of name on 3 September 2019.
2. The remaining 49% of the issued share capital of True Partner Advisor Hong Kong Limited was held by Capital Futures Corp., a client of our Group during the Track Record Period.
3. The remaining 97.27% of the issued share capital of CSC Futures was held by Capital Futures Corp., a client of our Group during the Track Record Period.
4. The remaining 51% of the equity interests of Capital True Partner Technology Co., Ltd was held by Capital International Technology Corp., a non-major subsidiary of CSC which is the parent company of Capital Futures Corp., a client of our Group during the Track Record Period.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

In preparation for the Share Offer and Listing, the companies comprising our Group underwent the Reorganisation, pursuant to which our Company became the ultimate holding company of our Group. As confirmed by our Directors, each of the share transfers and allotment and issuance of shares which were made as part of the Reorganisation described below was validly legally and irrevocably completed and settled. Details of the Reorganisation are set out below:

Step 1: Incorporation of our Company

Our Company was incorporated in the Cayman Islands on 23 November 2018 as an exempted company with limited liability to act as the listing vehicle for the purpose of the Listing. Upon incorporation, the initial authorised share capital of our Company was HK\$10,000.00 divided into 1,000,000 shares of par value HK\$0.01 each, of which one share was allotted and issued fully paid at par to the initial subscriber, which was then transferred to Red Seven Investment Ltd on the same day.

Our Company was registered with the Companies Registry of Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Cap. 622 of the laws of Hong Kong) on 21 October 2019 and obtained a business registration certificate under the Business Registration Ordinance (Cap. 310 of the laws of Hong Kong).

Step 2: Transfer of True Partner Singapore Holding Pte. Ltd. to our Company

On 26 June 2019, each of the shareholders of True Partner Singapore Holding Pte. Ltd. transferred all of their respective shares in True Partner Singapore Holding Pte. Ltd., representing a total of 218,220 shares and the entire issued share capital of the company, to our Company in consideration of the issue and allotment by our Company of the same number of their respective shares in True Partner Singapore Holding Pte. Ltd. by our Company on 23 November 2018 with a total value of HK\$32,486,300 (save that only 20,224 Shares were allotted to Red Seven Investment Ltd, accounting for the one subscriber share already held by it upon incorporation of our Company). This step 2 was fully completed on 26 June 2019. Approval of the SFC in respect of such change of substantial shareholders as contemplated under this step was obtained on 24 May 2019.

Accordingly, our Company was owned by the same shareholders and in the same shareholdings as True Partner Singapore Holding Pte. Ltd. prior to such transfer, namely as to approximately 21.69% by Tobias Benjamin Hekster, 18.615% by Godefriedus Jelte Heijboer, 18.605% by True Partner Participation Limited, 15.00% by True Partner International Limited, 9.99% by Edo Bordoni, 9.27% by Red Seven Investment Ltd, 4.00% by Johan Marianus Cecil Cornelissen, 1.83% by Dao Management Ltd and 1.00% by Remco Janssen, respectively.

Immediately after such transfer, True Partner Singapore Holding Pte. Ltd. was owned entirely by our Company.

Step 3: Transfer of True Partner Holding Limited to our Company

On 31 October 2019, True Partner Singapore Holding Pte. Ltd. transferred 218,220 shares, representing the entire issued shares in True Partner Holding Limited to our Company for the consideration of HK\$1.00. After such transfer, True Partner Holding Limited was owned directly by our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Step 4: Acquisition of approximately 2.00% shareholding in our Company by Thorsten Gragert

On 1 November 2019, to partially realise his prior investment and expand the Company's shareholder base, Tobias Benjamin Hekster transferred 4,364 Shares of our Company to Thorsten Gragert, the head of research and development of our Group, at a consideration of HK\$1,549,860.50. Upon completion of such acquisition, the respective shareholdings in our Company are as follows:

After such share transfer, the respective shareholdings in our Company are as follows:

Shareholders	Number of Shares held in our Company before such transfer	Approximate percentage of the entire issued share capital of our Company before such transfer	Number of Shares held in our Company after such transfer	Approximate percentage of the entire issued share capital of our Company after such transfer
Red Seven Investment Ltd	20,225	9.27%	20,225	9.27%
Godefriedus Jelte Heijboer	40,622	18.615%	40,622	18.615%
True Partner Participation Limited	40,600	18.605%	40,600	18.605%
Tobias Benjamin Hekster	47,332	21.69%	42,968	19.69%
Dao Management Ltd	4,000	1.83%	4,000	1.83%
Edo Bordoni	21,798	9.99%	21,798	9.99%
True Partner International Limited	32,733	15.00%	32,733	15.00%
Johan Marianus Cecil Cornelissen	8,728	4.00%	8,728	4.00%
Remco Janssen	2,182	1.00%	2,182	1.00%
Thorsten Gragert	—	—	4,364	2.00%
Total	218,220	100.00%	218,220	100.00%

Step 5: Deregistration of Hong Kong Derivatives Exchange Limited

On 5 November 2019, application was made to the Companies Registry of Hong Kong for the deregistration of Hong Kong Derivatives Exchange Limited, a defunct solvent company established for the launch of a trading platform for our Group's business operation, as it did not carry on business activities. Immediately after the deregistration becoming effective on 24 April 2020, Hong Kong Derivatives Exchange Limited ceased to be a member of our Group.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Step 6: Acquisition of approximately 1.50% shareholding in our Company by Robert John Kavanagh

On 31 January 2020, to partially realise the existing shareholders' prior investment and expand our shareholder base, Mr. Robert John Kavanagh, our new head of investment solutions of our Group, acquired a total of 3,264 Shares of our Company from the existing shareholders at a total consideration of HK\$1,159,206.25. Upon completion of such acquisition, the respective shareholdings in our Company are as follows:

Shareholders	Number of Shares held in our Company before such transfer	Approximate percentage of the entire issued share capital of our Company before such transfer	Number of Shares held in our Company after such transfer	Approximate percentage of the entire issued share capital of our Company after such transfer
Red Seven Investment Ltd	20,225	9.27%	20,139	9.23%
Godefriedus Jelte Heijboer	40,622	18.615%	40,449	18.53%
True Partner Participation Limited	40,600	18.605%	40,427	18.52%
Tobias Benjamin Hekster	42,968	19.69%	40,450	18.54%
Dao Management Ltd	4,000	1.83%	3,983	1.83%
Edo Bordoni	21,798	9.99%	21,705	9.94%
True Partner International Limited	32,733	15.00%	32,594	14.94%
Johan Marianus Cecil Cornelissen	8,728	4.00%	8,691	3.98%
Remco Janssen	2,182	1.00%	2,173	1.00%
Thorsten Gragert	4,364	2.00%	4,345	1.99%
Robert John Kavanagh	—	—	3,264	1.50%
Total	218,220	100.00%	218,220	100.00%

True Partner Singapore Holding Pte. Ltd., became dormant upon completion of step 3 of the Reorganisation and has remained dormant up to the Latest Practicable Date.

Step 7: Increase in authorized share capital of our Company

On 22 September 2020, by the creation of an additional 9,999,000,000 shares, the authorised share capital of our Company was increased from HK\$10,000.00 divided into 1,000,000 shares each to HK\$100,000,000.00 divided into 10,000,000,000 shares of par value HK\$0.01 each.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

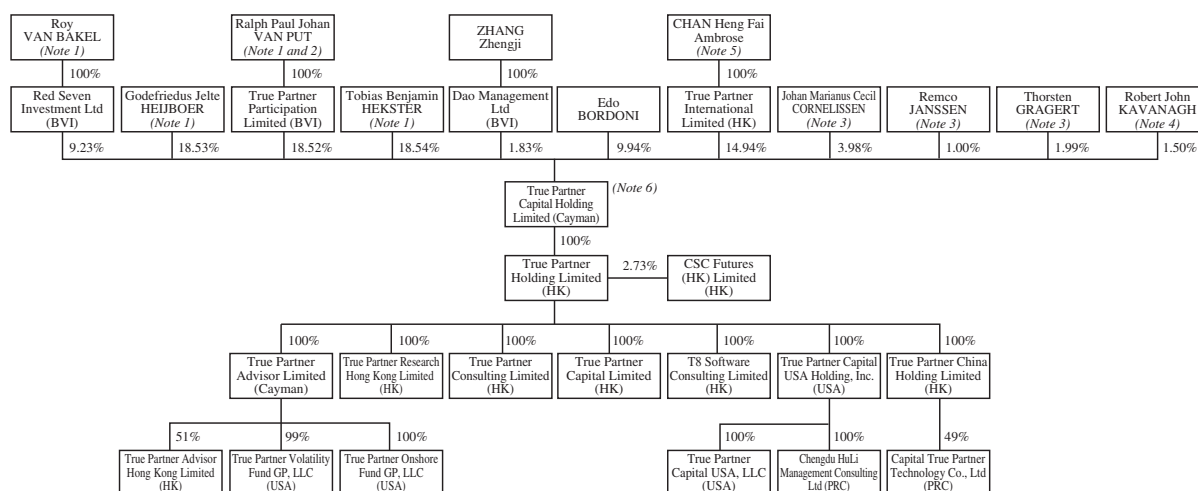
Step 8: Capitalisation Issue and Share Offer

Pursuant to the resolutions of all our Shareholders passed on 22 September 2020, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of allotment and issuance of new Shares pursuant to the Share Offer, our Directors are authorised to allot and issue a total of 299,781,780 Shares credited as fully paid at par to the holder of Shares on the register of members of our Company at the closing of business on 10 September 2020 in proportion to their shareholdings by way of capitalisation of the sum of approximately HK\$2,997,817.80 standing to the credit of the share premium account of our Company.

Please refer to the section headed “Structure of the Share Offer” for further details.

CORPORATE STRUCTURE

The following chart sets forth the corporate and shareholding structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue and the Share Offer:



Notes:

- (1) Mr. Roy Van Bakel, Mr. Ralph Paul Johan Van Put, Mr. Godefriedus Jelte Heijboer and Mr. Tobias Benjamin Hekster are the executive Directors of our Company.
- (2) Mr. Ralph Paul Johan Van Put is the chairman of the Board.
- (3) Mr. Johan Marianus Cecil Cornelissen, Mr. Remco Janssen and Mr. Thorsten Gragert are members of the senior management of our Group.
- (4) Mr. Robert John Kavanagh is an employee of our Group, with the current title of head of investment solutions.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

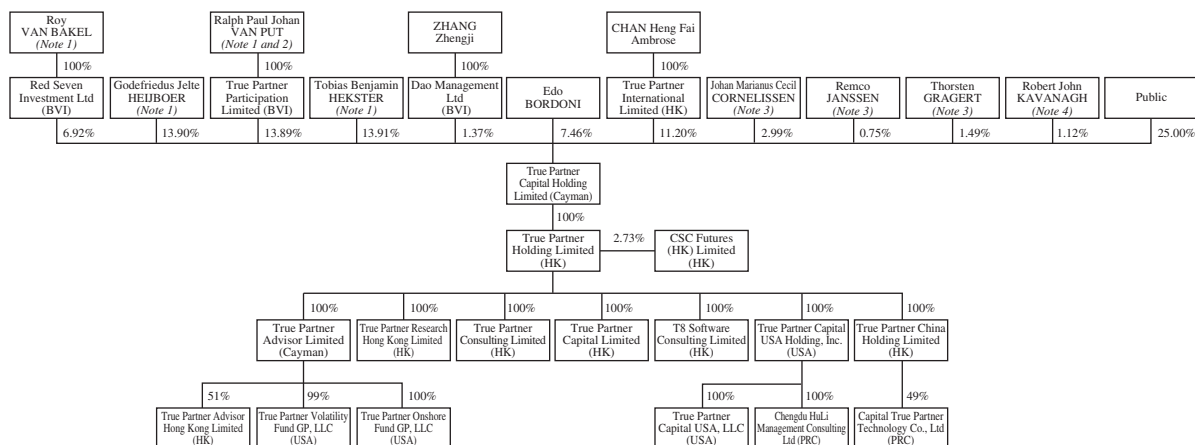
- (5) Mr. Chan Heng Fai Ambrose is an entrepreneur whom Mr. Ralph Paul Johan Van Put, one of our executive Directors, came to know during a social occasion. Knowing that Mr. Chan was taking a keen interest in investing in fund management business that had manifested business philosophies and strategies befitting his own, Mr. Ralph Paul Johan Van Put introduced Mr. Chan to our Group. Subsequently, on 23 May 2013, Mr. Chan acquired a 15% interest in True Partner Holding Limited through his investment vehicle, True Partner International Limited at a consideration of US\$1,000,000. Such interest was subsequently swapped for interest in True Partner Singapore Holding Pte. Ltd. and subsequently our Company as part of the Reorganisation. Mr. Chan has at all material times been a passive investor and does not assume any executive role and/or responsibility in the daily operations of our Group.

Mr. Chan was the chairman and executive director and substantial shareholder of Heng Fai Enterprises Limited (now known as Zensun Enterprises Limited), a company listed on the Stock Exchange (stock code: 185), from 1992 to 2015. Mr. Chan sold his controlling interest in Heng Fai Enterprises Limited in April 2015, and subsequently resigned from his directorship in July 2015. As at the Latest Practicable Date, Mr. Chan remained interested in approximately 1.72% of the issued share capital of Zensun Enterprises Limited.

Mr. Chan also served as (i) a non-executive director of Holista CollTech Limited, a bio-technology company listed on the Australian Securities Exchange; (ii) an executive chairman, executive director and group chief executive officer of Singapore eDevelopment Limited, a company listed on the Catalist Board of the Singapore Exchange Securities Trading Limited; (iii) a non-executive director of The OptimumBank Holdings Inc., a NASDAQ listed and the company provides personal and retail banking; and (iv) chairman and director of Document Security Systems, Inc., a US company listed on the New York Stock Exchange.

- (6) True Partner Singapore Holding Pte. Ltd. was owned entirely by True Partner Capital Holding Limited pursuant to Step 2.8 the Reorganisation and has remained dormant up to the Latest Practicable Date.

The following chart sets forth our corporate and shareholding structure immediately after completion of the Capitalisation Issue and the Share Offer (without taking account of any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme):



Pre-IPO Share Option Scheme

In recognition of the contributions of certain employees of our Group made to the growth of our Group, we adopted the Pre-IPO Share Option Scheme and a total of 13 eligible participants have been granted such options under our Pre-IPO Share Option Scheme. For further details, please refer to the section headed “Statutory and General Information – D. Pre-IPO Share Option Scheme” in Appendix IV to this prospectus.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Notes:

- (1) Mr. Roy Van Bakel, Mr. Ralph Paul Johan Van Put, Mr. Godefriedus Jelte Heijboer and Mr. Tobias Benjamin Hekster are the executive Directors of our Company.
- (2) Mr. Ralph Paul Johan Van Put is the chairman of the Board.
- (3) Mr. Johan Marianus Cecil Cornelissen, Mr. Remco Janssen and Mr. Thorsten Gragert are members of the senior management of our Group.
- (4) Mr. Robert John Kavanagh is an employee of our Group, with the current title of head of investment solutions.

BUSINESS

OVERVIEW

We are a Hong Kong and U.S. based fund management group which manages funds and managed accounts on a discretionary basis using a global volatility relative value trading strategy (involving the active 24/5 trading of liquid exchange listed derivatives (including equity index options with less than six months maturity, large cap single stock options, as well as futures, exchange traded funds and equities) across major markets (including the U.S., Europe and Asia) and different time zones using a single book). Our trading decisions are supported by our in-house proprietary trading platform (embedded with option pricing and volatility surface models) designed for our specific way of trading and which enables real-time pricing of implied volatilities, quantitative comparisons, risk management as well as speedy execution of trades. Our team's collective expertise and specialised knowledge in options and volatility trading is the foundation of our proprietary trading technology.

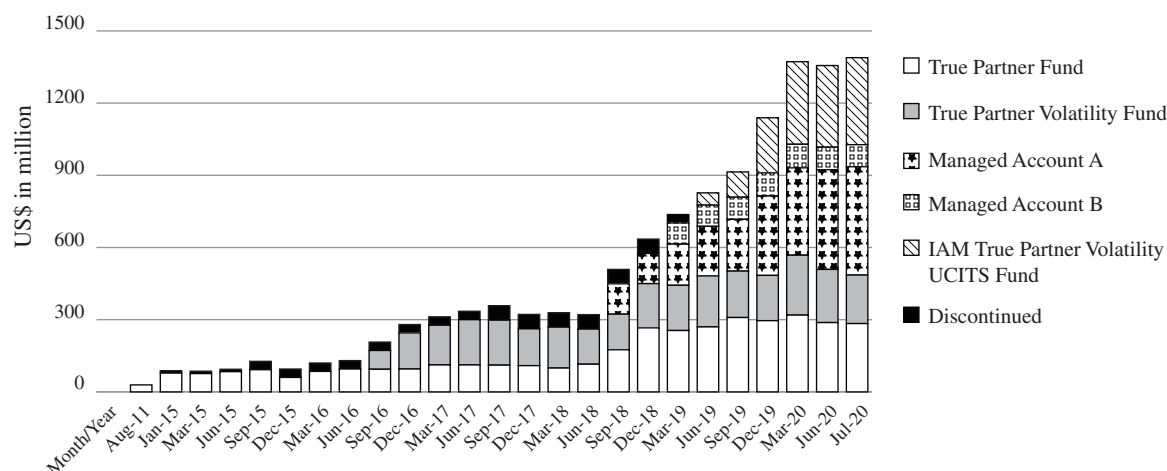
Our flagship fund is the True Partner Fund which we launched in July 2011 as a stand-alone fund, but which was later restructured into a master-feeder structure to facilitate investments from U.S. taxable investors. We launched a further fund, the True Partner Volatility Fund, which is similarly structured, but with a trading strategy which has a long volatility bias. In addition to funds launched by us, we also enter into investment management mandates with third parties who allocate a sub-fund of their umbrella fund or a portion of their assets to be managed by us. The investors of funds managed by us are mainly professional investors, including collective investment undertakings, family offices, pension funds, endowments/foundations, financial institutions and high net worth individuals.

Throughout the Track Record Period and up to the Latest Practicable Date, we managed two co-branded funds (being funds which include the "True Partner" name in the name of the fund) and four managed accounts in addition to the two funds launched by us, details of which are set out in the paragraph "Our funds under management" in this section of the prospectus. Two managed accounts and one of the co-branded funds have been terminated as at the Latest Practicable Date.

BUSINESS

The amount of AUM managed by us has grown through the years, as illustrated by the following chart, and amounted to approximately US\$1.389 billion as at 31 July 2020 (being the latest practicable date for this information prior to publication of the prospectus).

AUM from inception to July 2020



Note:

- (1) Our AUM increased by approximately US\$179 million from June 2018 to September 2018 primarily due to the commencement of Managed Account A and an investment by a new U.S.-based investor in True Partner Fund.

The following table illustrates the movement of AUM managed by our Group over the Track Record Period and up to the latest practicable date of this information for reference:

	Year ended 31 December 2018 (US\$ million)	Year ended 31 December 2019 (US\$ million)	For the three months ended 31 March 2020 (US\$ million)	From 1 April 2020 to 31 July 2020 (i.e. the latest practicable date of this information) (US\$ million)
AUM at beginning of relevant year/period	322	635	1,138	1,373
Subscription by new investors	215	113	1	2
Subscription by existing investors (note 1)	130	637	149	160
Redemption (note 1 & 3)	(100)	(182)	(78)	(175)
Performance (note 4)	68	(65)	163	29
AUM as at the end of relevant year/period	<u>635</u>	<u>1,138</u>	<u>1,373</u>	<u>1,389</u>

BUSINESS

Notes:

1. In respect of redemptions of investments in funds managed by our Group over the Track Record Period, (i) approximately US\$13.4 million in redemptions for the year ended 31 December 2018 relate to a redemption by a private debt and hedge fund solutions provider and alternative asset manager (which we understand was mainly due to change in the investor's investment preference); (ii) in respect of the year ended 31 December 2019, approximately US\$10 million relate to the closure of Managed Account C and approximately US\$45 million relate to the closure of Managed Account D; (iii) in respect of the three months ended 31 March 2020, approximately US\$31.4 million and US\$15.0 million in redemptions relate to redemptions of investments in Managed Account A and Managed Account B, respectively; and (iv) in respect of the period from 1 April 2020 up to 31 July 2020 (being the latest practicable date of this information), approximately US\$86.5 million, US\$36.7 million and US\$45.0 million in redemptions relate to redemptions of investment in IAM True Partner Volatility UCITS Fund, the True Partner Fund and the True Partner Volatility Fund, respectively. The aforementioned material redemptions in aggregate represented approximately 13.4%, 30.2%, 59.5% and 96.1% of the total redemption amounts of the funds and managed accounts managed by our Group for the years ended 31 December 2018 and 31 December 2019, the three months ended 31 March 2020 and the four months ended 31 July 2020, respectively.
2. Not included in the redemption amounts are the following redemptions of investments that relate to transfers of investments from existing funds to new managed accounts: approximately US\$34.3 million and US\$56.3 million in redemptions for the year ended December 2019 relate to redemptions of investments in the True Partner Fund, the investments of which were transferred to the IAM True Partner Volatility UCITS Fund and Managed Account B (upon its establishment), respectively. Separately, approximately US\$3.5 million in redemptions for the year ended 31 December 2018 relate to the redemption of investments in the True Partner Fund, the investments of which were transferred to the IAM True Partner Volatility UCITS Fund upon its establishment in 2019.
3. The aggregate amount of material individual redemptions (i.e. exceeding 5% of each of the relevant fund/managed account) represented approximately 52.9%, 30.9%, 55.8% and 63.3% of the total redemptions for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020 and the four months ended 31 July 2020, respectively. Please also refer to the section headed "Business – Our investors – Main redemption activities by investors over the Track Record Period – Reasons for redemption of investments by investors" in the prospectus for some typical reasons investors may generally redeem their investments in our Group's funds and/or managed accounts.
4. "Performance" is calculated as the difference between AUM as at the start and end of the relevant period less subscriptions plus redemption, and refers to the portion of AUM as at the end of the relevant period that is related to performance of our funds/managed accounts but does not form the basis for calculating our performance fees.

As at 31 December 2018, 2019 and 31 March 2020, the AUM contributed by Management Account A and IAM True Partner Volatility UCITS Fund in aggregate represented approximately 19.7%, 49.1% and 51.4% of the total AUM of our Group, respectively.

BUSINESS

AUM growth of our Group is expected to be supported by a number of interrelated factors, namely:

- (i) ***higher performance of our Group compared to our peers***¹: the funds of our Group have a demonstrable track record; in particular, the True Partner Fund (the flagship fund which has the longest history of our Group's funds) has out-performed each of the major volatility hedge fund indices in terms of net returns alpha generation (i.e. generating investment return in excess of that derived from exposure to equity indices such as the MSCI world Index, or S&P Index) relative to equities, recording an annualised return of 6.25% p.a. from inception in July 2011 to 31 July 2020. As observed in the Industry Report, strong performing volatility funds following severe markets downturn (caused by the COVID-19 pandemic) subsequent to a long equity bull market are likely attract investors seeking to hedge and/or diversify their investments;
- (ii) ***the power of our brand***: as observed in the Industry Report, we are recognised as one of the better-known volatility fund management firms in the industry with a strong and stable team of senior portfolio managers who are supported by advanced and proprietary technology, and being able to trade around the clock in different markets supported by a large quantitative library that provides market and industry insights for identification of opportunities. It is expected that the Listing will further enhance our visibility in the industry while at the same time enhance our transparency, accountability and corporate governance, which is expected to further enhance the marketability of our funds and attract prospective investors;
- (iii) ***achievement of critical mass***: the AUM of our Group has achieved the critical milestone of US\$1 billion and AUM growth is expected to continue, which would open our products and enhance their marketability to a wider institutional capital base. This is because certain sizable asset allocators and investors often (i) have minimum investment size requirements that can be quite substantial prior to them considering an investment due to, without limitation, due diligence and risks involved (in particular, they are required to spend considerable time, resources and human capital in carrying out often quite vigorous investment and operational due diligence prior to making an investment, and dispensing their investment allocations into a large number of funds increases risks involved as well as monitoring costs, with the risk/return benefits of additional diversification typically marginal as a portfolio moves beyond a certain number of funds); and (ii) apply concentration criteria which mandates that their investment not to exceed a certain percentage of the total AUM of the investment manager, or in respect of a particular trading strategy. Therefore, a higher AUM would enable investors to hold (bigger) positions in our products without breaching their own concentration criteria, and hence makes our products accessible by asset allocators, and this will enhance the marketability of our funds to a wider range of institutional capital base;

1. The most significant peers to our Group are privately held firms that do not publicly disclose the details of their investment/trading strategies nor their performance. According to the Industry Expert, major volatility hedge fund indices are used as a proxy for peer performance. These indices are composed of the performance of the peers who report their performance to the indices for the purposes of indices calculation but they generally do not make their performance publicly available.

BUSINESS

- (iv) ***enhanced sales and marketing:*** we intend to engage in more sales and marketing activities through the hiring of sales and investor relations staff to increase awareness of our trading strategy. This will involve setting up an office in London to tap into institutional capital, carrying out more direct engagement and liaison work with prospective investors as well as intensifying sales efforts through attendance in more meetings with prospective investors and participation in industry conferences. We also intend to reduce our reliance on our use of capital introduction partners which account for a material amount of our present costs and expenses;
- (v) ***diversification of service offerings:*** further to marketing of existing products, we intend to, with the support of scalable technology and operational infrastructure and specialised market expertise, launch new funds and managed accounts with focus on different asset classes (such as commodities, forex products), those that are more geographically-focused and/or more tailored towards investors' strategies. Please refer to the section "Future plans and use of proceeds" in this prospectus for further details. Product diversification is also expected to provide us with opportunities to develop relationships with a broader range of prospective investors.
- (vi) ***presence on platforms of professional of financial institutions and streamlined operational due diligence:*** our funds are currently listed in various investor management platforms of existing clients as well as that of independent advisory firms that provide operational due diligence services to hedge funds' investors; this enables us to gain access to a wide range of prospective clients (including family office, financial intermediaries, institutions, pensions and endowments). Being listed on such platforms expedites the allocation of assets of prospective investors as they trust the vigorous operational due diligence of the relevant platform providers. Further, our Group considers such exposure as a form of indirect marketing;
- (vii) ***co-investment into own funds:*** we intend to utilise part of the proceeds of the Share Offer for co-investment with fund investors into our own funds which is generally viewed positively by investors as it demonstrates alignment of interests, and is important for on-boarding new investors and retaining existing investors; and
- (viii) ***UCITS funds:*** we have successfully launched the IAM True Partner Volatility UCITS Fund, a co-mingled fund vehicle authorised by the Central Bank of Ireland, which gave a wider investor base in Europe access to our trading strategy and opened up new investor relationships.

Our investment management services are provided through our Investment Manager, a Cayman Islands exempted company licensed with the CFTC as a commodity pool operator in the U.S., our HK Sub-Manager, a corporation licensed by the SFC in Hong Kong to carry out type 9 (asset management) regulated activity, and our U.S. Sub-Manager, an investment advisor registered with SEC in the U.S. which operates out of our Chicago office. These entities are authorised and/or registered, as necessary, with various competent authorities in Europe in connection with the management and marketing of UCITS and other funds. Further particulars of licences, registrations and authorisations maintained by these entities are set out in the paragraph "Licenses and registrations for providing investment management services" in this section of the prospectus.

BUSINESS

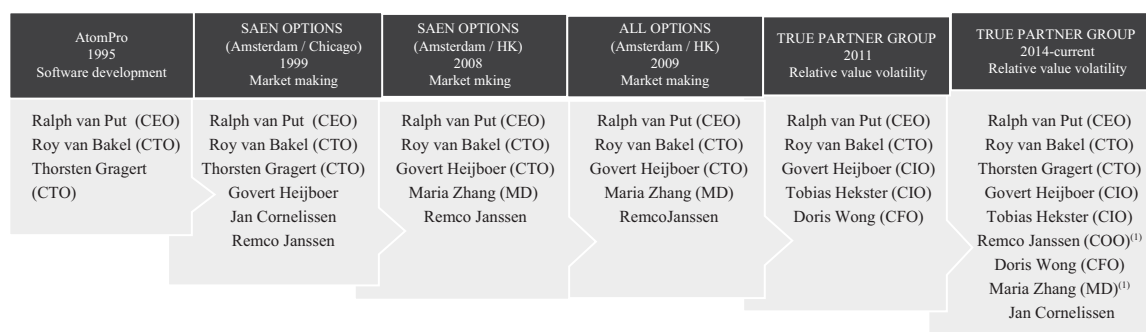
We generate revenue through charging the funds and managed accounts under our management: (i) management fees, calculated as a percentage of NAV of shares of the relevant fund or managed account; and (ii) performance fees, calculated based on the absolute performance of the relevant fund or managed account, generally calculated on a high watermark basis by reference to the NAV of the relevant fund or managed account at a particular time. The terms on which our fees are charged on our funds and managed accounts are negotiated with our investors on an arm's length basis, and for certain investors, our Group may negotiate specific terms with respect to management fees and performance fees, which currently only in the case of investors invested in the True Partner Fund could result in a rebate as part of such fees by our Group. As advised by our legal advisers as to Cayman Islands law, there is no restriction on the payment of rebates out of management or performance fees to investors under the laws of the Cayman Islands. Further, according to our legal advisers as to U.S. law, the general partner of the True Partner Fund is permitted to rebate back to investors a portion of the management or performance fees in the U.S.. Similarly, as advised by our legal advisers as to Hong Kong law, the granting and payment of rebates to investors in the True Partner Fund do not contravene applicable laws, rules and regulations in Hong Kong.

Our funds and managed accounts engage various professional parties (including administrators, prime brokers, custodian and legal counsels) as well as agents to provide services to the funds under our management, and we do not hold client assets.

We employ in total 25 staff over three office locations situated in Hong Kong, Chicago and Amsterdam, and our head of investment solutions, Mr. Robert John Kavanagh, is based in London. Our Hong Kong and Chicago offices house our investment management teams, and such arrangement (with dual trading locations) enables us to carry out 24/5 trading under one global book (that is, our portfolio managers trade the book as a team and not through individual portfolio manager allocations, with the book passing from our portfolio management team in one trading office to the other trading office) so as to ensure seamless and integrated trading across different time zones, continuous observation of global markets and enhanced capture of opportunities. Our third office in Amsterdam mainly provides IT and software development support.

Our business is led by a team of senior management members, many of whom have market making and proprietary trading backgrounds and have worked together prior to joining to our Group. In particular, our CEO, Mr. Ralph van Put and our chief technology officer, Mr. Roy van Bakel and our head of research and development, Mr. Thorsten Gragert, led software development of risk management software for market makers at Sfis Financial Technology B.V. (SFT) commercially known as AtomPro (to transition from pit trading to screen-based automated trading) from as far as 1995. As illustrated in the chart below, most of our other senior management team members have worked together for over a decade, including leading the development of Saen Options (an independent proprietary trading company and market maker with a focus on European markets) before the shift in focus from market making to market taking involving relative value volatility strategies under the "True Partner" name in 2011. Our Directors believe that the strong collaboration and cohesiveness of our senior management team over the years and their strong background in options trading is an important attribute to our success.

BUSINESS



Note:

(1) Maria Zhang and Remco Janssen joined True Partner Group in 2012.

Our strategy is to typically make a profit particularly during periods of increased market volatility. We aim to limit our losses during periods of lower volatility, and make sufficient gains during periods of increased volatility. We consider that our active trading strategy involving highly-liquid derivatives and use of our proprietary technology enhances our ability to react quickly to (abrupt) changes in market circumstances on an intra-day basis. In particular, our funds' track record of strong downside capture capability which generally outperform other fund managers which adopt a relative value volatility strategy (as indicated by the comparison against the CBOE Eurekahedge Relative Value Volatility Index – please refer to the paragraph “Performance of Funds” in this section of this prospectus) makes them an attractive investment as a strong diversifier as part of the portfolio of larger funds, in addition to annualised returns.

We adopt a volatility trading strategy which lends to returns during periods of increased market volatility. During the year ended 31 December 2019 however, the equity markets were relatively less volatile compared to the year ended 31 December 2018 and this led to less volatility spread opportunities which our Group could possibly capitalise on. During such less volatile period, there were relatively fewer in number and less profound opportunities which our trading strategy was able to identify and realise for the purpose of generating returns. As such, the performance of our flagship funds were negatively affected in the year ended 31 December 2019, recording negative returns of 7.5% and 12.05% in respect of the True Partner Fund and the True Partner Volatility Fund respectively (which compares to positive returns of 25.82% and 22.84% for the respective funds in the previous year). As a result, we generated a relatively modest performance fee income of approximately HK\$8,000 in the year ended 31 December 2019 (compared to performance fee income of approximately HK\$94.5 million in the previous year). Nevertheless, we generated management fee income of approximately HK\$43.6 million in the year ended 31 December 2019, and the AUM of our Group continued to grow during the year by approximately 79.21% reaching approximately US\$1.137 billion as at 31 December 2019. Overall, due to the relatively less volatile equity markets in 2019, we incurred a net loss before income tax of approximately HK\$20.7 million, primarily attributable to the decrease in our revenue from our fund management business (which comprised predominantly fees charged under our investment mandates) of approximately HK\$68.7 million.

OUR COMPETITIVE STRENGTHS

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

Experienced and stable management team

We believe that our ability to provide sound discretionary investment management services is enhanced through our senior management team who has extensive industry knowledge and understanding of derivative markets, technical experience and expertise in trading (in particular, a specialisation in options and volatility trading in a variety of different markets). We believe that such experience and expertise of our senior management team as well as their market making background has played a vital role in the formulation, and the efficient and timely implementation, of our unique investment and trading strategy coupled with effective risk management framework and processes.

Further, our senior management team members have developed and maintained a stable working relationship over the years, with most of them having served together for more than a decade in the past in various ventures relating to options trading. In particular, our CEO, chief technology officer, head of research and development and chief investment officer who are together instrumental the formulation of our trading strategy as well as the development of our proprietary trading platform have worked together since as far as 1995, and they continue to lead the operations of our Group. We believe that our senior management team's collaboration over an extended period of time has and will continue to support our Group's sustainable growth.

Technology platform

We have developed our in-house proprietary trading platform designed for our specific way of trading, so as to support our distinctive and active trading strategy and enable real-time pricing of implied volatilities, quantitative comparisons, risk management as well as speedy execution of trades.

We consider that our proprietary trading platform is crucial for the implementation of our trading strategies and plays a vital role in our business processes. Our team's collective expertise and specialised knowledge and know-how is the foundation of our proprietary trading technology which is developed for our Group's specific way of trading, and we believe that our investment in technology, as well as our overall technological capabilities, provide us with a significant advantage over our competition.

Our technology platform is highly integrated with established connectivity with key service vendors and providers (including prime brokers, data vendors and administrators). This enables our portfolio managers to gain access to and monitor global stock and derivative markets and exchanges as well as simultaneously trade, manage portfolio and monitor risks on a real-time basis. The technology platform is embedded with option pricing and volatility surface models (which calculate real-time theoretical pricing, implied surfaces as well as risk sensitivities), a quantitative library as well as other analytical tools to facilitate our portfolio managers' capturing of opportunities. Through our technology, during the Track Record Period, our portfolio managers manually executed on average around 3,000 trades per day notwithstanding our relatively lean staff structure.

We conduct real-time pricing of implied volatilities through the Typhoon Trader module of our technology platform. Within the Typhoon Trader module, implied volatility is continuously calculated (by combining several numerical analysis techniques) for all options individually based on the current

BUSINESS

real-time market data for the specific option as well as the current real-time market data for the corresponding underlying product of the specific option. Changes in the real-time market data of the option or its underlying product or changes in any of the option's parameters (e.g. interest, dividend or time to expiration) will trigger a re-calculation of the implied volatility for that option. Trading decisions are made by our portfolio managers and are not automated, although the trading decisions of our portfolio managers may be supported by analytical tools and automated opportunity detection and monitoring features inbuilt into our technology platform which may enhance the speed of execution of trade positions.

Our Directors believe that our technology platform enables us to execute and capture opportunities on an ongoing and continuing basis, and they believe that it is such capability that has enabled our trading strategy to generally outperform other fund managers engaged in options and volatility trading.

Our technology platform utilises cloud-native technologies with abundant redundancies to ensure it supports seamless 24/5 trading without disruptions, even during times when various software or applications are being updated. Our technology platform, while unique, is also scalable and may be adopted for use by third parties for trading of different asset classes using different trading strategies. For further information on our proprietary technology platform, please see the section headed "Business – Our technology platform" in this prospectus.

Global coverage with trading offices strategically located in Hong Kong and the United States

We trade on major exchanges in Asia, the U.S. and Europe, and trade listed options (with short maturities) and futures on 10 equity indices in Asia-Pacific (Nikkei, Kospi, Taiwan Stock Exchange, Hang Seng and the Australian Stock Exchange), Europe (Euro Stoxx, Dax and FTSE 100) and the U.S. (S&P 500 and Nasdaq). We selected these 10 equity indices because of their liquidity.

We have strategically located trading offices in Hong Kong and the U.S.. Our Investment Manager has two Sub-Managers: (i) True Partner Advisor Hong Kong Limited, which is based in Hong Kong and licensed with Hong Kong's SFC; and (ii) True Partner Capital USA Holding, Inc., which is based in Chicago, the United States and registered with the United States' SEC. For certain funds, our Investment Manager has delegated investment management responsibilities to our HK Sub-Manager which has further delegated certain investment management responsibilities to our U.S. Sub-Manager.

Management of the funds' investment portfolio is shared between the Sub-Managers on a time zone basis – the funds' portfolios are managed by our HK Sub-Manager during Asian trading hours, and our U.S. Sub-Manager during U.S. trading hours. The dual trading locations facilitate a 24/5 trading strategy. Further, both offices serve as redundant trading facilities should one become impaired, for example, the U.S. office could trade during Asian hours if necessary and vice versa. We also have a third backup trading facility in Amsterdam. Our trading systems, trading data and models are continuously replicated at servers at the three data centres in Hong Kong, Chicago and Amsterdam. In addition, in relation to our investment services, our Investment Manager and Sub-Managers are licensed, registered or cleared by or have notified (as applicable) the relevant regulatory authorities in Hong Kong, the United States, the Cayman Islands, Ireland, United Kingdom and/or the Netherlands (as applicable).

BUSINESS

We consider that our international coverage provides us with global opportunities. We trade globally with an Asian focus due to the volatility trading opportunities that are provided by the Asian markets.

Well-established operating history with a demonstrated track record

Our Group launched our first fund, the True Partner Fund, in July 2011. Our asset management business has since grown significantly, and throughout the Track Record Period, we managed six funds launched by us through two master-feeder structures, and were engaged through investment management and advisory services agreements to manage two co-branded funds as well as four managed accounts. As at 31 July 2020 (being the latest practicable date of this information), the aggregate AUM of our funds amounted to approximately US\$1.389 billion. Our Directors consider that with our proprietary volatility trading model and software systems, our Company has been able to record strong investment performance throughout the Track Record Period. In respect of the True Partner Fund, our flagship fund with the longest track record, our annualised return from inception to July 2020 was approximately +6.25% and as at the latest practicable date of this information (i.e. 31 July 2020), its AUM amounted to approximately US\$283.9 million. This represents absolute and risk-adjusted returns in excess of major hedge fund indices. Please refer to the section headed “Industry Overview” in this prospectus for further details.

Our Directors believe that our strong investment performance is further demonstrated by the awards and recognitions that we have received, including “Tomorrow’s Titans” by The Hedge Fund Journal in 2019 and Relative Value category at the HFMWeek Hedge Fund Asia Awards in 2019. Please see the section headed “Business – Awards” in this prospectus for information on the major awards and recognitions obtained by us. In addition, our funds are constituents of benchmark indices. For example, True Partner Fund is a constituent of the CBOE Eurekahedge Relative Value Volatility Hedge Fund Index and Societe Generale’s SG Volatility Trading Index. We consider that such track record and our demonstrated abilities in trading is a major attraction to investors and has enabled us to develop stable strategic relationships with key institutional investors who are well-known in the financial industry.

Distinctive trading strategy

We consider that a major strength is our distinctive global equity relative value volatility trading strategy. Our strategy is to profit when markets are volatile. We aim to limit our losses during periods of lower volatility, and make sufficient gains during periods of increased volatility. We consider that one of our strengths is our ability to monetise gains during volatility spikes by seizing trading opportunities as they arise. As a result, investors may be able to make returns from our funds and managed accounts when other parts of their portfolio are not performing. We consider that we are able to effectively seize trading opportunities as our strategy is to easily and quickly react to trading opportunities (i.e. capturing events that may affect markets as they happen) intra-day and on an ongoing 24/5 basis by trading as a team through our proprietary trading technology, adequate risk management systems and continuous observation of global markets.

We adopt a disciplined trading approach utilising our in-house proprietary trading technology. Electronic orders and trades are pre-allocated to our funds and managed accounts through the Typhoon Trader Order Allocator tool, our self-developed order entry system technology. Please see the section headed “Business – Our investment process – Trade allocation process between different funds and managed accounts” in this prospectus for further information.

BUSINESS

Further, through our trading strategy, our funds and managed accounts provide market exposure uncorrelated or slightly negatively correlated to general equity market trends to which an investor's portfolio is likely to have significant exposure. For information on our uncorrelated and slightly negatively correlated strategy, please see the section headed "Business – Our investment approach – Relative value strategies " in this prospectus. We are of the view that as the financial products that we trade are exchange listed, investors may be attracted to the liquidity of our trading strategy. We consider that the development of our distinctive trading strategy has been facilitated by our experienced team which comes from a market making background and has a broad understanding of market participants' approaches to trading.

Strong investor base

Investors in our funds and clients of our investment mandates in respect of managed accounts include highly sophisticated established and reputable investment advisory firms and wealth and portfolio managers as well as other institutional and professional investors including collective investment undertakings, family offices, pension funds, endowments/foundations, financial institutions as well as high-net-worth individuals based in the U.S., the United Kingdom, Ireland and other jurisdictions. Our Directors believe that new investments from prominent investor groups (in particular those which are experienced in investing in volatility funds) following their intensive investor due diligence, as well as the continued investments of such existing investor groups would enhance the marketability of our funds as it reflects that they are generally satisfied with the historical performance and prospects of invested funds and managed accounts. Our Directors believe that our solid investor base and our growing AUM (which exceeded the noteworthy US\$1 billion milestone at the end of 2019), are important attributes to our success.

OUR INVESTMENT APPROACH

We operate as investment managers of various open-ended funds and managed accounts which are collective investment schemes that pool investors' money to invest in different types of securities including exchange-listed options and futures on underlying products such as equity indices, single stocks, exchange traded funds and volatility futures and options. Currently the majority of our investors are professional investors, including collective investment undertakings, family offices, pension funds, endowments/foundations, financial institutions and high net worth individuals.

A key aspect of the securities we invest in is volatility, which measures the degree of price movement of the underlying securities and indices and the expectation of their future price movements. We continuously look at different equity markets and their respective volatility from a global perspective, and we trade on various securities markets world-wide. Our trading strategy involves identifying opportunities arising from market inefficiencies and dislocation in the pricing of options and positioning our trades accordingly. Our trading strategy does not involve taking an outright overall position on volatility, but rather seeks to benefit from relative changes in the implied volatility in different markets, so as to provide positive returns over time. Our trading strategy also involves intra-day hedging of market exposures to increase our chance of profit by reducing the risks from directional market movements. Please refer to the section headed "Relative value volatility strategy and illustration of trade process and execution" in this prospectus for further details of our trading strategy and process.

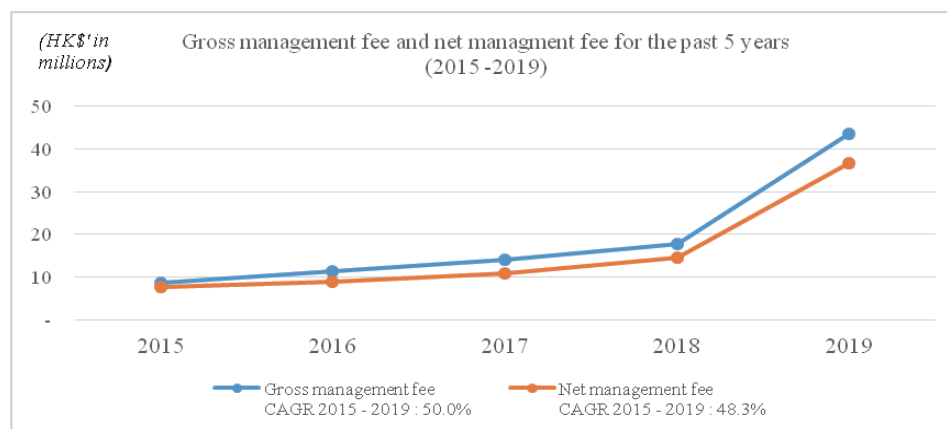
BUSINESS

The returns of our trading approach, as can be seen from the nearly nine-year track record of the True Partner Fund, our flagship fund, are uncorrelated or slightly negatively correlated to equity markets. Typically, our strategy outperforms during periods of market turmoil, as in such periods, relative differences between volatility of different markets become more profound, resulting in a larger opportunity set for our strategy.

During less volatile and more stable markets, our trading strategy would remain the same although there may be less volatility spread opportunities which we may capitalise on in which event the performance of our funds and managed accounts may be negatively affected (for example, we generated negative returns for investors in the True Partner Fund of approximately 5.61% in 2017 and 7.50% in 2019, during which periods market volatility was relatively low). Such negative returns would have an adverse impact on the NAV of the relevant funds and managed accounts, which would have implications on our entitlement to performance fees for the relevant period (due to our inability in achieving the relevant high watermarks in the relevant investment mandates entered by us).

Nevertheless, low or no entitlement to performance fees would have implications on our Group's ability to cover relatively fixed costs and expenses in our operations (including, *inter alia*, staff costs, rental expenses, service providers including capital introduction partners, and other general and administrative expenses). During such periods therefore, we may need to rely on retained cash from previous profitable years, capital contributed by Shareholders as well as management fees we are entitled to charge (which are not subject to meeting performance targets) to cover operational expenses, and no or very limited discretionary bonuses to staff would be paid.

The amount of management fees generated by us has continued to increase over the years, and this corresponds to the continued increase in AUM of our Group, as illustrated in the following graph:



Our Directors believe that we would be able to charge sufficient management fees to sustain our ordinary operational expenses in the near future, even without taking into account performance fees which we would be entitled to charge from time to time arising from volatile markets, with AUM growth of our Group expected to be supported by a number of interrelated factors as set out in detail in the section headed "Summary – Sustainability of the Group during periods of high and low volatility". We benefit from receiving performance fees when our funds and managed accounts record positive performance, as well as indirectly as positive performance also increases the AUM of our funds and managed accounts, on which we receive a fixed management fee.

To achieve the objectives of our trading strategy, our trading technology is crucial. For this purpose, we have developed our own proprietary trading and risk management software and built our own proprietary volatility trading models and quantitative libraries that facilitate both our real-time pricing and in-house research. Our trading technology allows us to cover global markets across different time-zones and over the trading day and enables us to rapidly respond to market changes and capture the trading opportunities. This allows us to monetise gains during brief volatility spikes, seizing intra-day trading opportunities as they arise, whereas more static strategies may not be able to capture such short-lived opportunities.

Our trading strategy involves the buying and selling of exchange listed options (including equity index options with less than six months maturity and large cap single stock options) across major markets and different time zones over a single book. When buying an option, we are said to be “long” in that option, and in selling an option, we are said to be “short” in that option, and we may buy and sell call options (which give us the right to buy) or put options (which give us the right to sell) in respect the underlying investment (i.e. equity index or stock) for a predetermined price by a set date.

Further details of our trading strategy can be categorised as follows:

Global equity relative value volatility strategy

Our core strategy is a global equity relative value volatility strategy. This involves the identification of market inefficiencies in exchange listed options resulting in the purchase of relatively undervalued options and sale of relatively overvalued options, whilst hedging resulting options positions through the adoption of active portfolio management with the support of quantitative research and analytical tools embedded in our proprietary technology.

The trading opportunities which our strategy identifies relate to the identification of options which we perceive to be relatively overpriced against those options which we perceive to be relatively undervalued arising from changes in implied volatility caused by events affecting equity markets. The degree of price movement priced into option valuations (the ‘implied volatility’) can differ for different underlying instruments, maturities and strike prices. Our model focuses on finding relative discrepancies in these implied volatilities (and therefore the option valuations) of these options on these different underlying instruments. When markets are more volatile, such differences tend to occur more frequently and be larger in magnitude.

As a result, our strategy lends to returns during periods of increased market volatility. During low volatility periods, opportunities tend to be more limited resulting in less positions, hence reducing our transaction costs through the execution of less trades. Both 2018 and the first quarter of 2020 provide examples of higher volatility markets which are beneficial for our strategy. In 2018, there was an increase in volatility due to market dislocation and panic in response to the event of “Volamageddon”, and we were able to capitalise on such trading opportunities, and our flagship fund made a gain of approximately 26% over the year. Similarly, there was a rise in volatility during the first quarter of 2020 associated with the spread of COVID-19, which resulted in market dislocations which our strategy was able to capitalise upon, as reflected in our flagship fund which made a gain of approximately 13.36% during the first six months of 2020.

Further, according to the Industry Expert, it is likely that equity volatility could continue to remain above long-term averages during the remainder of 2020 because of the economic uncertainty created by the COVID-19 global pandemic, the upcoming U.S. presidential elections and to a lesser extent other geopolitical issues. Current options pricing also tends to suggest that market participants in general expect a higher than average level of volatility over the next six months. For example, 6-month implied volatility is at 22.7% as of 8 August 2020 as compared to a 10-year average level of 16.8%.

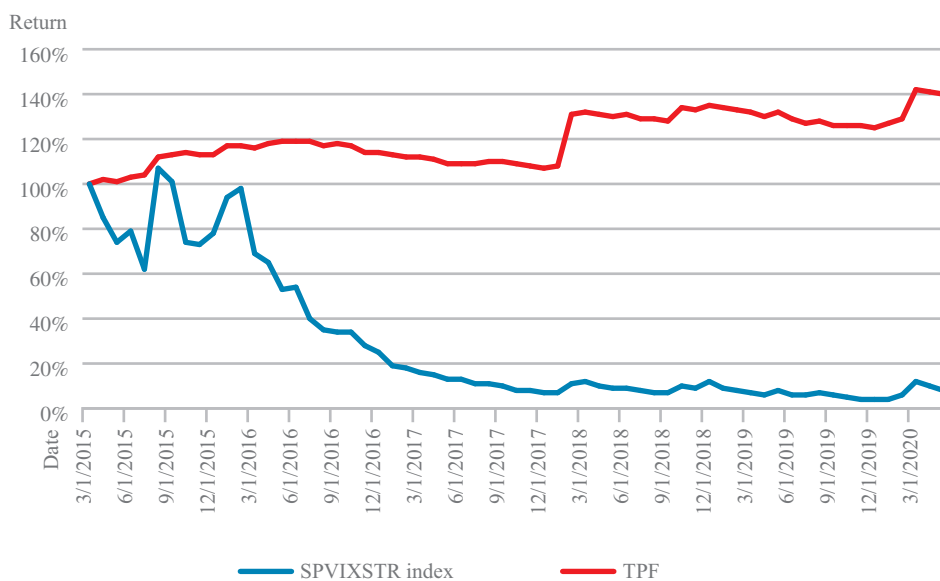
While our primary approach is to obtain a positive absolute return, the characteristics of our strategy tend to result in better performance generally in periods of market turmoil. As market turmoil generally occurs in declining markets, our trading strategy provides counter-cyclical upside exposure to our investors. As compared to trading strategies which follow the market (that is, strategies that exhibit market-driven performance), a strategy which provides counter-cyclical upside exposure complements an investment portfolio. Such strategy may generate positive returns when the market in general (and the rest of an investment portfolio) does not produce such returns. Such negative correlation is an important aspect of our funds and managed accounts: whereas the True Partner Fund has experienced an annualised return of 6.25% from inception until 31 July 2020, the fund's correlation to the MSCI World Total Return Hedged USD index was -0.42 from inception until July 2020. Investment in our volatility based funds and managed accounts may complement investors' investments that follow the market as the counter-cyclical upside exposure provided by our trading strategy (which benefits from increases in volatility which tend to be associated with (sharp) decreases in equity markets) enables investors to construct a portfolio which has better risk and reward characteristics compared to a standalone investment in funds that follow the market.

We consider that investors may be attracted to our funds and managed accounts' exposure which positively complement investors' more traditional exposure of equity market investments. In particular, the inclusion of counter-cyclical upside exposure in portfolios with longer time frames (such as insurers and pension plans) may serve as a cushion for the entire portfolio against losses in declining markets, in the absence of which such investors may be compelled to lock in losses by unwinding part of their equity exposure.

We consider that investors, in seeking diversification through exposure to volatility-based products, may prefer to invest in our funds or managed accounts as compared to purchasing a more simple volatility product due to our proven historical performance. For illustration, the following chart sets out the performance of a hypothetical five-year investment (from April 2015 to May 2020) in (i) our Group's flagship fund, the True Partner Fund, and (ii) the S&P 500® VIX Short-Term Futures Index (the "**SPVIXSTR Index**"), which measures the return from (or performance that may be derived from the holding of) near-term VIX futures contracts traded on the Chicago Board Options Exchange over the relevant period.

BUSINESS

**Hypothetical five-year investment:
True Partner Fund vs SPVIXSTR Index (2015 to 2020)**



On the basis of the above, our Directors are of the view that an investment in an index fund to hedge against volatility is not a viable alternative to an investment in our funds and managed accounts.

Relative value strategies

Both option buyers and sellers (or long and short strategies) aim to generate returns and take risks based on their judgment and determination of factors, including implied volatility, at a given time but which may evolve over time (and their trading decisions are often supported by sophisticated analytical tools, pricing models, historic quantitative data and artificial intelligence etc.). The objectives are quite often the identification of market inefficiencies (for example, where implied volatility is perceived to be lagging and thus has yet to catch up with an increase in realised volatility) which gives rise to opportunities which could result from the purchase of relatively undervalued options and sale of relatively overvalued options.

Our Group adopts a relative value strategy and engages in volatility arbitrage trading which involves being long volatility in some instruments and short volatility in other instruments, typically instruments that are relatively closely related. Such volatility arbitrage is applied across different equity markets globally as our Group trades options listed in major markets including the U.S., Europe and Asia.

A very simplified illustration of our trading approach by just considering options on two indices is set out below³:

Assume that (i) the short-term Hang Seng index options trade (are priced) at an implied volatility of 20% and at the same time the short-term S&P500 options trade at an implied volatility of 30%; but (ii) the recent realised volatility (i.e. the actual movement) of these two indices were the same. In this situation, and for simplification not considering any other factors, Hang Seng volatility looks relatively under-priced versus the S&P500 volatility and this presents a volatility spread opportunity between the two indices. To set up the desired position, our Group may buy Hang Seng calls and puts (long volatility) and sell S&P500 calls and puts (short volatility).

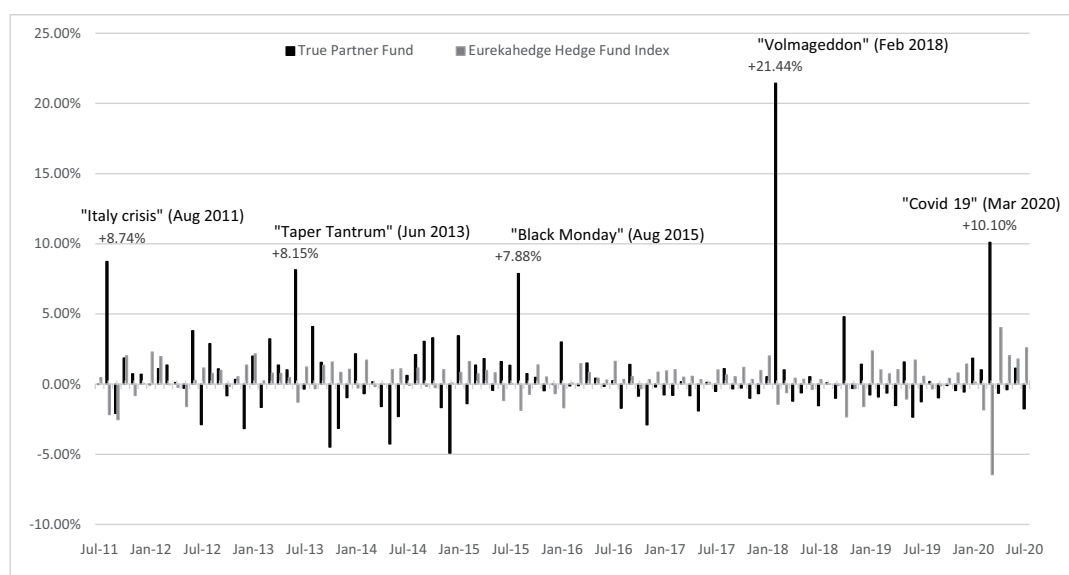
In the above example, it is noted that we would buy and sell equivalent amounts of call and put options in respect of the same underlying equity for the purpose of offsetting directional risks of the underlying equity. Such practice, referred to as “delta hedging”, is intended such that we would be able to capitalise (or otherwise hedge) on relevant opportunities regardless of the direction of the price of the underlying equity which is often difficult to predict. Please refer to the section headed “Relative value volatility strategy and illustration of trade process and execution” in this prospectus for further explanation of our relative value volatility strategy.

During periods of lower volatility, there tends to be a lower opportunity set for our strategy, and our positioning tends to be more limited resulting in lower transaction costs. We consider that investors place importance on the degree to which the counter-cyclical exposure of our strategy does not overly negatively affect their portfolio during rising markets. For example, we consider that the growth in our AUM from US\$635.0 million as at 31 December 2018 to US\$1.138 billion as at 31 December 2019,

³ This simplified example captures the essence but does not capture many of the detailed and specialised aspects and intricacies of the volatility strategy as employed by our Group, such as the dynamic nature as many trades are conducted per day, the multiple underlying instruments considered at the same time, the delta hedging approach to maintain more market neutral exposure, the volatility surfaces of each underlying instruments, the trading through multiple time zones, other inputs that our quantitative models use, scaling and risk management etc.

despite low performance of our funds and managed accounts in 2019 associated with reduced market volatility during the year, signifies that investors perceive that our strategy is effective during periods of lower volatility.

The following graph illustrates the average monthly returns of the True Partner Fund since inception in July 2011 until 31 July 2020 in comparison with Eurekahedge Hedge Fund Index (an index of over 2,000 constituent funds designed to provide a broad measure of the performance all underlying hedge fund managers irrespective of regional mandate). The comparison demonstrates that True Partner Fund tends to outperform other hedge funds in sudden market shocks. Please see the section headed “Business – Performance of funds – Performance of True Partner Fund and True Partner Volatility Fund – True Partner Fund” in this prospectus for an explanation of the True Partner Fund’s five largest monthly gains since inception.

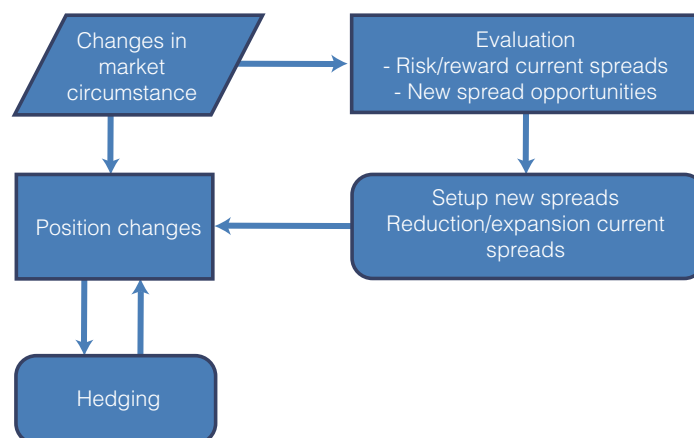


Our trading approach is uncorrelated or slightly negatively correlated to markets. Our strategy is uncorrelated to markets in that we aim to profit from volatility spreads rather than from movements in markets directly. At the same time, our strategy is negatively correlated to markets as our trading opportunities tend to increase when market volatility increases, and higher market volatility tends to be correlated to negative or decreasing equity markets.

Our strategy involves buying mainly relatively undervalued and selling relatively overvalued listed options on global equity indices. Our portfolio managers strive to generate an absolute return while maintaining a low net exposure to the general market direction. In assessing whether options are relatively undervalued or overvalued, a proprietary but ultimately discretionary approach is used. Quantitative models are utilised to screen global options prices and establish which options are relatively undervalued or overvalued across multiple exchanges. The models take into account patterns in implied volatilities, patterns in realised volatility (actual movement of the relevant indices), as well as specifics regarding the expiry processes on different markets and the effects of local exchange holidays, extended trading hours and country-specific and geopolitical developments. The instruments traded are predominantly globally listed equity index options and underlying listed futures.

BUSINESS

The following diagram sets out how setting up new positions, hedging and reducing/expanding existing positions are driven by changes in market circumstances:



We consider that our trading approach places importance on liquidity. As part of our opportunity based strategy, we trade derivatives on margin. Over the Track Record Period, our margin-to-equity ratio was, on average, approximately 8.2%, but the ratio generally varies depending on the extent of the opportunities available with our margin-to-equity ratio generally increasing when markets are more volatile. To reduce risks associated with margin calls, we generally keep our margin-to-equity ratio to below 60%.

Relative value volatility approach through active trading

We are agnostic about volatility direction and therefore, our overall volatility exposure is intended to be neutral on average or with slight long bias only. Our trading strategy involves active trading by our team of portfolio managers and co-chief investment officers. The strategy calls for (intra-day) hedging of the overall market directional exposure through buying or selling the underlying instrument of corresponding options, with maturities which are generally less than six months. We reduce market directionality by intra-day delta hedging.

Trading decisions are made and trades are executed by our portfolio managers manually with the assistance of our self-developed technology platform which flags opportunities as they arise. Our team of portfolio managers and co-chief investment officers manually conduct, on average, approximately 3,000 trades per day. Trading decisions are made by our team of portfolio managers and co-chief investment officers and are not automated, although the trading decisions of our team of portfolio managers and co-chief investment officers may be supported by analytical tools and automated opportunity detection and monitoring features inbuilt into our technology platform which may enhance the speed of execution of trade positions. Leveraging on our self-developed technology and by trading as a team, our trading approach enables us to take advantage of relatively abrupt or interim trading opportunities which may not be available to low frequency trading. We consider that with our self-developed technology, 24/5 trading capabilities and market making background, we are able to effectively conduct a relatively high number of trades each day in a systematic and sophisticated manner. Our high volume of trading also enables us to negotiate relatively lower brokerage rates from prime brokers.

Funds and managed accounts trade global markets (including Asian, European and U.S. markets) in a global book around the clock

Leveraging on our self-developed technology and through our offices in Hong Kong and Chicago, we are able to trade global markets (including Asian, European and U.S. markets) in a global book under one team. Our dual trading locations facilitate our ability to trade across different time zones and a 24/5 trading basis. Our capacity to trade is also facilitated by our redundant trading facilities through our private cloud hosted by secured data centres in various locations so as to ensure that our technology platform is always up and running across multiple locations in which we operate. We trade under one global book, that is our portfolio managers trade the book as a team and not through individual portfolio manager allocations, with the book passing from our portfolio management team in one trading office to the other trading office so as to ensure a seamless and integrated 24/5 trading system. We believe that our strategy results in traders missing fewer trading opportunities, and being able to react and adapt quickly to the constantly changing markets and prices.

Our Investment Manager and Sub-Managers are licensed, registered or cleared by or have notified (as applicable) the relevant regulatory authorities in Hong Kong, the U.S., the Cayman Islands, Ireland, United Kingdom and/or the Netherlands (as applicable). We trade on major exchanges in Asia, the U.S. and Europe, and trade listed options (with short maturities) and futures on 10 equity indices in Asia-Pacific (Nikkei, Kospi, Taiwan Stock Exchange, Hang Seng and the Australian Stock Exchange), Europe (Euro Stoxx, Dax and FTSE 100) and the U.S. (S&P 500 and Nasdaq).

Relative value portfolio with a focus on Asian markets

We trade globally with an emphasis on Asian markets. Although our trading strategy does not have a predetermined geographic preference, our funds and managed accounts' portfolios tend to have a higher Asian regional allocation and a lower European allocation due to the larger opportunities that Asian markets typically present.

Proprietary risk management system

The Investment Manager uses a proprietary risk management system to monitor market exposures in real-time with regular stress tests. In addition to portfolio diversification, strict limits are set on, among other things, portfolio losses and the options' price sensitivity to quantifiable factors such as changes in the stock price, volatility and time. Gross Vega, the current risk profile, is generally stated and defined in a monthly report to the investors. Moreover, our trading strategies involve trading highly liquid exchange listed derivatives including equity index options with less than six months maturity.

INVESTMENT MANAGEMENT

Funds under our management have mandated us to carry out investment management of our funds through the entering into of investment management and/or advisory agreements to, *inter alia*, invest, trade and manage assets (principally investments of investors) of the funds pursuant to the terms of our appointment with the deployment of our trading strategies and approach through the use of our proprietary technology platform. Under these investment agreements, we are obliged to, *inter alia*, carry out the following key duties:

- (i) ***invest and trade assets:*** to invest and trade assets and to make and execute investment decisions in accordance with our global volatility arbitrage trading strategy (generally trading of exchange-listed index and single stock options relating to all major markets globally across time zones using a single book whereby volatility spreads are traded (in which relatively undervalued options are purchased and overvalued options are sold) using an active trading style with medium trading frequency with frequent intra-day delta hedging to minimise the risk of exposure to directional market moves) as well as prescribed investment guidelines and/or policies (including, *inter alia*, description of permissible classes of financial instruments that may be traded, prescribed Vega and stress test limits, delta guidelines and other trading restrictions);
- (ii) ***manage assets:*** to manage (including to purchase (on margin basis or otherwise), sell, transfer or otherwise deal in, and exercise all powers, privileges and other incidents of ownership or possession of) all invested financial instruments;
- (iii) ***report:*** to report on trades and open positions as well as performance (including such performance indicators as the rate of return, fair value hierarchy, total expense ratio etc.) of the relevant fund and provide periodic commentaries and reports (including annual financial reports) on performance, risk and other reasonably requested information;

In respect of funds of third parties under our management, the relevant third parties may require performance to be linked to our launched funds (i.e. the True Partner Fund or the True Partner Volatility Fund), and as such, may require the reporting of financial statements and other information in respect of our launched funds;

- (iv) ***review and evaluation:*** to carry out review and evaluation of asset acquisition and investment policies and strategies and make recommendations on possible changes to investment guidelines from time to time, as necessary;
- (v) ***interact with prime brokers, custodian and administrators:*** with delegated authority from the relevant fund, to interact with prime brokers and intermediaries including, *inter alia*, placing of trade orders to executing brokers; supplying information and instructions to administrators to enable their performance of duties; obtaining requisite information from administrators (such as investor information for our know-your-client (KYC) purposes) to ensure our compliance with applicable regulatory requirements; and instructing custodian on movements of cash or collateral in custody within prescribed control framework;

BUSINESS

- (vi) ***procure other requisite services:*** to procure and coordinate other services, including obtaining tax and legal advice, from appropriate service providers to be provided for the benefit of the relevant fund;
- (vii) ***reconciliation:*** to conduct daily reconciliation of trades and market value (completed with reports provided by prime brokers and other counterparties), and to resolve and reconcile any discrepancies;
- (viii) ***trade and investment allocation:*** to ensure the fair and equitable allocation of trades and investments for the relevant fund vis-à-vis other funds under our management in respect of the sale and purchase of financial instruments (this is enabled by the use of the allocation tool embedded in our proprietary technology platform);
- (ix) ***advisory and recommendations:*** advising and making recommendations to the relevant fund and its administrator in connection with, *inter alia*, the valuation of investments, the making of distributions and the realisation of monies for the purpose of effecting redemptions, withdrawals of financial institutions or for other purposes of the relevant fund;
- (x) ***marketing and distribution:*** in connection with funds requiring marketing and distribution, conducting such marketing and distribution in such jurisdictions as we may be engaged to do so on behalf of the relevant funds; and
- (xi) ***other matters:*** performing other duties and doing such other things as may be required of the investment manager as described in the offering memorandum of the relevant fund and anything that is necessary or incidental to the carrying out of the investment objectives of our fund.

The following are some material terms of the investment management and advisory agreements entered with our flagship funds, the True Partner Fund and the True Partner Volatility Fund:

- (i) we are entitled to receive a monthly management fee based on the NAV of the relevant funds under management, which shall be paid monthly in arrears;
- (ii) we are entitled to charge a performance fee at a prescribed rate (based on performance linked to appreciation or depreciation of the NAV of the relevant funds under management) at the end of each fiscal quarter subject to meeting the relevant high watermark;
- (iii) we are required to pay for the relevant fund's own general operating and overhead expenses associated with providing management, administrative and other services required;
- (iv) we and our affiliates shall be indemnified and held harmless in respect of any and all claims, damages, liabilities and obligations other than arising from fraud, gross negligence or wilful misconduct; and
- (v) the agreement shall remain in effect indefinitely, unless terminated by any party upon thirty days' prior written notice.

BUSINESS

The terms of the investment and/or advisory agreements entered into with third parties, such as in respect of managed accounts and co-branded funds, are negotiated on an arm's length basis and may be different in terms of, *inter alia*, valuation and calculation periods for determining entitlements and payments of any management and/or performance fees.

We may act as sub-managers of funds in which our clients act as investment managers

Some of our investment mandates involve third party investment managers engaging us to act as their sub-investment manager, pursuant to which our regulated licensed entities (i.e. Investment Manager and/or Sub-Managers) may be delegated fund management responsibilities and obligations to manage specific assets under their portfolio, with a view of gaining exposure to our Group's trading strategy.

BUSINESS

Our Investment Manager and/or one or more of our Sub-Manager may be appointed to provide the above investment management duties. The following table summarises these appointments and their allocation of duties:

Fund	Investment manager	Sub-investment manager	Investment advisor	Sub-advisor	Remarks
True Partner Fund	Investment Manager	HK Sub-Manager U.S. Sub-Manager	N/A	N/A	Investment management duties split among the entities in accordance with the terms of separately entered investment management agreements
True Partner Volatility Fund	Investment Manager	HK Sub-Manager U.S. Sub-Manager	N/A	N/A	Investment management duties split among the entities in accordance with the terms of separately entered investment management agreements
IAM True Partner Volatility UCITS Fund	Third party investment manager ⁽¹⁾	HK Sub-Manager U.S. Sub-Manager	N/A	N/A	HK & U.S. Sub-Managers engaged by the third party investment manager to manage all assets of the UCITS fund (sub-fund of an open-ended umbrella fund)
Co-branded fund A (fund-of-one) (closed)	Investment Manager	HK Sub-Manager (to Managed Account D in which co-branded fund A invested)	N/A	N/A	Investment Manager mainly handled duties relating to subscriptions and redemptions of eligible investors as well as provision of certain consulting services to the investor fund, whereas the HK Sub-Manager provided most of the investment management services using our trading strategies
Managed Account A (managed account in relation to the investment management mandate of Investor B)	Third party investment manager ⁽¹⁾	Third party sub-investment manager	U.S. Sub-Manager	HK Sub-Manager	U.S. Sub-Manager was appointed by third party investment manager and sub-investment manager to provide investment management services to an allocated portion of the sub-fund under management, and part of such management was further delegated to the management of HK Sub-Manager
Managed Account B (managed account in relation to the investment management mandate of Investor C)	Investment Manager	HK Sub-Manager U.S. Sub-Manager	N/A	N/A	Investment management duties split among the entities in accordance with terms of separately entered investment management agreements
Managed Account C (closed) (managed account in relation to the investment management mandate of CSC Futures)	Investment Manager	HK Sub-Manager	N/A	N/A	Investment management duties split among the entities pursuant to an investment management agreement entered among the parties
Managed Account D (closed) (managed account in relation to the investment management mandate of Investor D)	Third party investment manager ⁽¹⁾	HK Sub-Manager	N/A	N/A	Investment management duties split among the entities pursuant to an investment management agreement entered among the parties

Note (1): For IAM True Partner Volatility UCITS Fund, Managed Account A and Managed Account D, our Group has been mandated by the existing third party investment manager to sub-manage an allocated portion of the assets of the overall fund managed by the relevant investment manager as sub-investment manager (as part of the umbrella fund entity of the investment manager in respect of the IAM True Partner Volatility Fund), pursuant to which our regulated licensed entities (i.e. Investment Manager and/or Sub-Managers) may be delegated fund management responsibilities and obligations to manage specific assets under their portfolio, with a view of gaining exposure to our Group's trading strategy. In contrast, in the case of Managed Account B, our Group has been engaged by the fund itself (rather than an existing investment manager) so our Group acts as investment manager under mandate of True Partner Advisor Limited and delegates various fund management responsibilities to our HK Sub-Manager and

BUSINESS

U.S. Sub-Manager. Such sub-management arrangement enables portfolio management activities and associated trading to be conducted by our HK Sub-Manager and U.S. Sub-Manager (being entities licensed by the SFC and SEC to carry on regulated activities (namely, portfolio management) in their respective jurisdictions, namely Hong Kong and the U.S.) and hence, enables us to carry on 24/5 real-time monitoring and trading across global equity markets.

Our investment management fees

In consideration for our investment management services, our Investment Manager and/or Sub-Managers typically charge (i) management fees, which are charged on a monthly basis calculated using a percentage of the NAV of the shares of the relevant fund or managed account; and/or (ii) performance fees, which are charged with reference to performance of our funds and managed accounts under management, and are typically calculated based on the absolute performance of the relevant fund or managed account (generally calculated on a high watermark basis by reference to the NAV of the relevant fund or managed account).

The terms on which our fees are charged on our funds are negotiated with our investors on an arm's length basis, and for certain early and significant investors, we may negotiate specific terms with respect to management fees and performance fees (pursuant to which these investors may be given special/preferential fee treatments through subscriptions to special share classes and/or the entering into of side letters which shall continue for the duration of their investments), which currently only in the case of investors invested in the True Partner Fund could result in a rebate by our Group. Generally, we would strive to negotiate with those institutional investors which are charged lower management fees, a higher performance fee to compensate. However, we may not necessarily succeed in negotiating a higher performance fee in each case where we agree on a lower management fee. In respect of those investors in our flagship funds (i.e. the True Partner Fund and the True Partner Volatility Fund) and managed accounts which were offered preferential fee treatment (i.e. charged a lower management fee rate of less than 2% at the time), we were able to negotiate a higher performance fee (above 20%) in respect of four investors (out of 18 of such investors with preferential fee treatment), and these investors attributed to in aggregate (i) approximately 15.9%, 7.3% and 7.5% of our total AUM as at 31 December 2018, 31 December 2019 and 31 March 2020, respectively; and (ii) approximately 12.0%, 12.9% and 3.7% of our total revenue contribution over the years ended 31 December 2018 and 2019 and three months ended 31 March 2020, respectively.

During the Track Record Period, for those investors which were charged management fees, the fee rate charged ranged from 0.9% to 2%, with the majority between 1.5% and 2%, and the range of our performance fees ranged from 5% to 50%. Our Directors consider that as our management fees may be lower than the industry range, relevant investors may be more willing to continue investing in our funds and managed accounts.

Performance fees are calculated based on the absolute performance of the relevant fund or managed account over the relevant performance period. Performance fees only become realised upon crystallisation which occurs upon the earlier of (i) redemption of investment by an investor; and (ii) at the end of the relevant performance period, which may be 31 March, 30 June, 30 September or 31 December, depending on the terms of the relevant investment mandates of our fund or managed account.

BUSINESS

The following table sets out the amount of management fees and performance fees charged by us over the Track Record Period:

	Year ended 31 December 2018		Year ended 31 December 2019		Three months ended 31 March 2019		Three months ended 31 March 2020	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
Management fee income	17,834	15.9	43,576	99.98	8,744	100.0	14,239	28.7
Performance fee income	94,484	84.1	8	0.02	–	–	35,359	71.3
Revenue from our funds and managed accounts	<u>112,318</u>	<u>100.0</u>	<u>43,584</u>	<u>100.0</u>	<u>8,744</u>	<u>100.0</u>	<u>49,598</u>	<u>100.0</u>

The following table sets out our gross management fees and performance fees and net management fees and performance fees by fund and managed account over the Track Record Period.

Fund	Year ended 31 December 2018		Year ended 31 December 2019		Three months ended 31 March 2019		Three months ended 31 March 2020	
	Gross management and performance fee income (HK\$'000) ⁽¹⁾	Net management and performance fee income (HK\$'000) ⁽²⁾	Gross management and performance fee income (HK\$'000) ⁽¹⁾	Net management and performance fee income (HK\$'000) ⁽²⁾	Gross management and performance fee income (HK\$'000) ⁽¹⁾	Net management and performance fee income (HK\$'000) ⁽²⁾	Gross management and performance fee income (HK\$'000) ⁽¹⁾	Net management and performance fee income (HK\$'000) ⁽²⁾
True Partner Fund	48,673	44,065	31,942	26,508	7,635	6,331	37,389	35,898
True Partner Volatility Fund	44,147	38,086	3,791	3,791	541	541	1,364	1,364
IAM True Partner Volatility UCITS Fund	–	–	2,039	2,032	–	–	3,335	3,214
Co-branded fund A (closed)	85	85	0	0	–	–	–	–
Managed accounts ⁽³⁾	<u>19,413</u>	<u>18,335</u>	<u>5,812</u>	<u>4,359</u>	<u>568</u>	<u>426</u>	<u>7,510</u>	<u>6,328</u>
Total	<u>112,318</u>	<u>100,571</u>	<u>43,584</u>	<u>36,690</u>	<u>8,744</u>	<u>7,298</u>	<u>49,598</u>	<u>46,804</u>

Notes:

- (1) Gross management fee income means total income derived from the management of fund and managed accounts (including management fees, net of rebates to investors) other than performance fees. Gross performance fee income means total income derived from performance fees, net of rebates to investors.
- (2) Net management and performance fee income means total income derived from management and performance fees net of capital introduction partner fees attributable to management and performance fees.
- (3) During the Track Record Period, we managed four managed accounts (two of which were terminated in 2019).

For details of the AUM of each of our funds and managed accounts since their respective dates of inception, please refer to the section headed “Business – Performance of funds – AUM breakdown” in this prospectus.

BUSINESS

Of the approximately HK\$112.3 million and HK\$43.6 million total fees that were charged for the management of funds and managed accounts for the years ended 31 December 2018 and 2019 respectively, approximately 15.9% and 99.98% respectively were derived from management fees and 84.1% and 0.02% respectively were derived from performance fees. Of the approximately HK\$8.7 million and HK\$49.6 million total fees that were charged for the management of funds and managed accounts for the three months ended 31 March 2019 and 2020 respectively, approximately 100.0% and 28.7% respectively were derived from management fees and nil and 71.3% respectively were derived from performance fees.

For the financial years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, approximately 44%, 60% and 61% of the total AUM of our Group were chargeable with management fees, whereas the remainder of AUM were not chargeable with management fees. In this regard, it is important to note that we always strive to negotiate, in respect of those institutional investors which are charged a lower or nil management fee, a higher performance fee upon achievement of relevant high watermarks in their investment mandates. However, we may not necessarily succeed in negotiating a higher performance fee in each case where we agree on a lower management fee. Further, where an investor has negotiated nil management fees, the relevant increase in AUM may not necessarily result in an increase in our fee income. As at 31 December 2018 and 2019 and 31 March 2020, 48.4%, 75.7% and 62.5%, respectively, of the increase in our Group's AUM during the respective year/period were chargeable with a lower management fee, while 44.8%, 20.7% and 33.5%, respectively, of the increase in our Group's AUM during the respective years/period were chargeable with nil management fee rate.

Seed and early investor capital

Our flagship funds have historically had arrangements in which seed or early investors would be granted different, or preferential, fee arrangements for providing investment capital in the early launch stage (for example, with nil or lower management fee chargeable on the relevant AUM). This is justified by the risk undertaken by the relevant early seed or early investors given the lack of a proven track record of the relevant fund during the launch stage and the fact that they tend to have a relatively high proportion of overall fund AUM (i.e. concentration). For some more significant investors, we may also negotiate the establishment of managed accounts with preferential fee arrangements, which may also be more calibrated or tailored (in terms of trading strategy etc.) to meet the particular investor's requirements and overall strategies. We also apply the factors set out under "Business – Investment management – Our investment management fees – Side letters and rebates" in this prospectus when generally negotiating fee arrangements (including management and performance fees) with investors, including seed and early investors, as well as more significant investors.

The attraction of such seed and early investor capital is important for growing the relevant funds into a decent size, as increasing the AUM of our fund is crucial for attracting and facilitating prospective investments. In particular, large investment allocators and investors often (i) have minimum investment size requirements that can be quite substantial prior to them considering an investment due to, *inter alia*, due diligence and risks involved; and (ii) apply concentration criteria which mandates that their investment not to exceed a certain percentage of the total AUM of the investment manager, or in respect of a particular trading strategy.

BUSINESS

However, such seed and early investor capital tend to be costly in the sense that we have to forego part of the (management) fee income, which makes revenue more geared to when we are entitled to charge performance fees, i.e. when our funds perform and reach relevant high watermarks under our investment mandates (typically during periods of relatively high volatility due to our trading strategy). Such seed and early investor capital has represented a sizable part of our AUM historically and throughout the Track Record Period as we continued to build our demonstrable track record. However, our Directors consider that our Group is currently at a stage (with AUM exceeding US\$1 billion achieved through the substantiation of our trading strategy and growing awareness and visibility of our “True Partner” brand in the volatility fund management space) whereby we are sufficiently mature such that we may reduce our reliance on seed and early investor capital when launching funds. Further, in order to enhance the sustainability of our Group in terms of increasing the net management fee margins of our funds, it is currently intended that part of the net proceeds from the Share Offer will be used to provide seed capital to new funds to be launched by us (as further described in the section “Future plans and use of proceeds – Reasons for the Listing and the Share Offer – Our business strategies and how we intend to achieve our business objectives” of this prospectus).

Side letters and rebates

For certain investors, we may negotiate specific terms in respect of management fees and performance fees, which currently only in the case of investors in the True Partner Fund, could result in a rebate by our Group (which are paid from fees charged and received by our Group). Such specific terms are typically set out in a side letter which is reviewed and approved by at least two executive Directors as well as the board of the Investment Manager and relevant Sub-Manager(s). The granting of such terms is considered a strategic decision and in granting such terms, various factors may be considered including, without limitation:

- (i) the size of the potential investment;
- (ii) possible lock-ups of the potential investment which may be accepted by the prospective investor beyond the terms as expressed in the relevant offering documents;
- (iii) the reputation of the potential investor. For example, investments from investor groups that carry out vigorous operational due diligence prior to including our funds onto their investment management platforms are considered beneficial to our Group in attracting capital;
- (iv) the willingness of the potential investor to provide references on the fund to other potential investors;
- (v) the AUM of the relevant fund or strategy compared to our Group’s targeted AUM for the relevant fund or strategy;
- (vi) whether the relevant potential investor is sourced through a capital introduction partner; and
- (vii) the prevailing market conditions and outlook.

The following are some terms (and conditions thereof) which may be offered to investors (or included) in side letters (although one or more of such terms may not be applicable to certain investors):

BUSINESS

- (i) we may offer the investor a reduction or adjustment of management fee and/or performance fee on invested capital, with a discounted portion reimbursed by way of refund/rebate to the investor at the time of payment;
- (ii) we may have the right to suspend the refund/rebate arrangement where the amount invested by the investor in our funds or managed accounts falls below a stipulated monetary threshold;
- (iii) we may potentially offer the relevant investor with reserved investment capacity to make further investment in our funds and/or managed accounts up to a stipulated monetary threshold during a prescribed period;
- (iv) we may exempt the investor from, or alter the conditions of, any lockups, holdbacks or other redemption restrictions or fees under certain prescribed circumstances (such as cessation of investment of key management personnel, or where it may lead to undue concentration risk for the investor) or otherwise;
- (v) we may be obliged to provide periodic reports or details of material changes to invested funds and/or managed accounts;
- (vi) the term of the side letter would typically cease upon the relevant investor ceasing to hold any interest or share in funds or managed accounts of our Group; and
- (vii) customary provisions regarding confidentiality, amendment by mutual agreement and governing law.

Whether the granting of rebates to investors is in line with industry norm

According to the Industry Expert, providing rebates on fees, management and/or performance, to certain large or early stage investors is a common and well accepted practice in the hedge fund industry. Such terms are usually private arrangements between the fund and the relevant investor, but the potential existence of rebates, generally arranged via side letters, is typically disclosed in a fund's prospectus. Taking a baseline of a 2% management fee and a 20% performance fee, the range of rebates on management fees is commonly between 25% and 75%, and 7.5% to 25% for performance fees. Such incentives can be offered by managers to more easily seed new funds and provide an incentive to investors to reach a certain investment level, take a risk on a newer or less well known investment/trading strategy, or to launch new share classes with different investment terms, such as a different redemption notice period.

Our Directors consider that rebates provided by our Group over the Track Record Period are generally within the range of the industry norm.

Amount of rebate paid by our Group over the Track Record Period

For the years ended 31 December 2018 and 2019, our Group paid approximately HK\$14.1 million and HK\$12.1 million in rebates to investors, respectively, and for the three months ended 31 March 2019 and 2020, our Group paid approximately HK\$2.9 million and HK\$10.1 million in rebates to investors, respectively. The rebates rate offered to investors, when applicable, generally ranged from 12.5% to 55% of management fees received and from 10% to 25% of performance fees received.

BUSINESS

Locations of our operations

Our operations are mainly carried out through our offices located in Hong Kong, the U.S. and the Netherlands. Our Hong Kong office is currently our main base of our operations, and houses 17 management and staff members who are engaged in fund management and trading activities (carried out through licensed staff accredited to the HK Sub-Manager), risk management, technology development, accounting and finance, compliance, sales and marketing and investor relationship activities. Our U.S. office is situated in Chicago and houses three management and staff members who are engaged in fund management and trading activities (carried out through licensed staff accredited to the U.S. Sub-Manager), business development and compliance functions. Our Netherlands office is situated in Amsterdam and currently houses five management and staff members who are engaged in quantitative research, system and technology development, sales and marketing and investor relationship activities. Recently, we have also appointed our head of investment resolutions in the United Kingdom, who is principally engaged in business development and sales and marketing activities, including in respect of structured managed accounts which we intend to establish in the future.

Our co-chief investment officers and portfolio managers reside in both our Hong Kong and Chicago offices and such arrangements ensure that we are able to monitor global equities markets, identify market opportunities as well as trade effectively on a 24/5 basis. Our technology infrastructure and servers are deployed and operate across our office locations to ensure sufficient redundancies and contingencies to mitigate the effect of any disruptions to any one location. In the future, we intend to set up fund management and trading capabilities in the Netherlands following the obtaining of an investment firm license from the AFM, and this will further enhance our trading capabilities and redundancies to ensure our seamless operations. We also intend to expand our operations in our global locations, including setting up a new representative office in the United Kingdom in the future. For further details, please refer to the “Future plans and use of proceeds” section of this prospectus.

LICENSES AND REGISTRATIONS FOR PROVIDING INVESTMENT MANAGEMENT SERVICES

The provision of investment management services by the Investment Manager and the Sub-Managers constitute regulated activities under the jurisdictions in which they operate and are therefore subject to laws and regulations as well as rules, codes and guidelines issued by the relevant competent regulatory authorities, including the SFC, the Cayman Islands Monetary Authority, the SEC, the Financial Industry Regulatory Authority, Inc. (“**FINRA**”), the CTFC and the NFA, and the Central Bank of Ireland.

BUSINESS

In order to carry out regulated activities, the Investment Manager and the Sub-Managers as well as staff accredited to them for the performance of such regulated activities/functions are required to obtain applicable licenses, registrations and/or approvals from the competent regulatory authorities. As at the Latest Practicable Date, our Group held the following licenses, registrations and approvals and made the following notifications to carry on relevant regulated activities.

Company name	Competent authority (jurisdiction)	Registration/licence number	Regulated activity	Date of registration/authorisation
<i>Investment Manager</i>				
True Partner Advisor Limited	Cayman Islands Monetary Authority (Cayman Islands) ⁽¹⁾	1593524	Securities investment business	Date of CIMA registration: 1 January 2020
	CFTC and NFA (U.S.)	NFA ID: 0472846	Commodity pool operator	Date of CFTC registration: 30 June 2014 Date of NFA membership: 30 June 2014
<i>HK Sub-Manager</i>				
True Partner Advisor Hong Kong Limited	SFC (Hong Kong)	Central entity number: AVJ699	Type 9 (asset management) regulated activity ⁽²⁾	Date of license: 30 September 2010
	Central Bank of Ireland (Ireland)	Reference number: C178575	Investment manager acting for an Irish authorised investment fund	Date of clearance: 26 March 2018
	Financial Conduct Authority (UK)	Notification ID: 835/Firm reference number: 662680/Product reference number: 662681	Marketing of non-EEA alternative investment fund managers under the National Private Placement Regime	Date of confirmation of notification: 15 August 2014
	AFM (Netherlands)	–	Marketing of non-EU alternative investment fund managers	Date of confirmation of notification: 18 July 2016

BUSINESS

Company name	Competent authority (jurisdiction)	Registration/ licence number	Regulated activity	Date of registration/ authorisation
<i>U.S. Sub-Manager</i>				
True Partner Capital USA Holding, Inc.	SEC and FINRA (U.S.)	SEC file number: 801-107958	Registered investment advisor	Date of SEC registration: 17 June 2016
		FINRA CRD number: 283176		
	Central Bank of Ireland (Ireland)	Reference number: C179277	Investment manager to act for an Irish authorised investment fund	Date of clearance: 9 April 2018

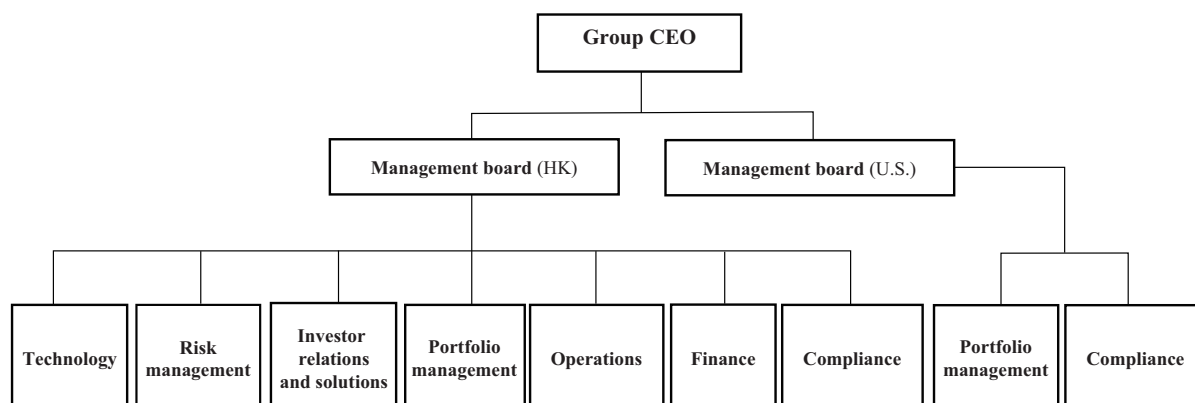
Notes:

- (1) True Partner Advisor Limited registered as an Excluded Person under Section 5(2) and Schedule 4 of the Securities Investment Business Law (2010 Revision) on 14 February 2011. Pursuant to the Securities Investment Business Law (2019 Revision), True Partner Advisor Limited registered as a registered person under section 5(4) and Schedule 4 of the Securities Investment Business Law (as revised and amended) on 1 January 2020.
- (2) This license is subject to licensing conditions: the licensee shall not hold client assets and shall only provide services to professional investors (as defined in the SFO and its subsidiary legislation).
- (3) True Partner Fund is represented in Switzerland by OpenFunds Investment Services AG, which has been licensed by the Swiss Financial Market Supervisory Authority (“**FINMA**”) to act as representative for foreign collective investment schemes in Switzerland.
- (4) The HK Sub-Manager and the Investment Manager are exempt from registration with the SEC as they are “participating affiliates” of the U.S. Sub-Manager under the relief described in the 1992 SEC staff no action letter granted to Uniao de Banco de Brasileiros S.A. and related no action letters. (IM-INFO-2017-013). The HK Sub-Manager and the U.S. Sub-Manager are exempt from registration with the CFTC under CFTC Rule 4.14(a)(10).

The above licenses, registrations and approvals have no expiry date. In addition, we are a member of The Alternative Investment Management Association Limited (“**AIMA**”), an international body that represents the alternative investment industry.

OUR TEAM AND OUR ORGANISATION STRUCTURE

The following diagram sets out the organisation structure of our Group.



Roles and responsibilities of our teams

Portfolio management team

Our portfolio management team is headed by our co-chief investment officers, Mr. Tobias Benjamin Hekster and Mr. Godefriedus Heijboer, and consists of eight members located in Hong Kong and the United States as of the Latest Practicable Date. The functions of our portfolio management team are making portfolio and trading decisions and executing such decisions based on quantitative models and trading policies, quantitative research, market research, and monitoring positions and scenario risks. Our co-chief investment officers are responsible for coordinating with our technology team, investor due diligence meetings, and investor communication. We also employ one senior portfolio manager, one senior quantitative trader, two portfolio managers and two junior portfolio managers.

Please refer to the section “Directors and Senior Management” of this prospectus for the qualifications of Mr. Tobias Hekster and Mr. Govert Heijboer (our co-chief investment officers) and Mr. Johan Cornelissen (a senior portfolio manager). Our portfolio managers are required to have (i) qualifications that satisfy the competence requirements for licensed asset managers stipulated by applicable laws and/or competent regulatory authorities; (ii) a degree in a quantitative field; and (iii) experience in portfolio management with the ability to understand quantitative investment research, derivative pricing theory and optimisation techniques.

Operations team

Our operations team is headed by our chief operating officer, Mr. Remco Janssen, and consists of three members located in Hong Kong as of the Latest Practicable Date. The functions of our operations team are daily reconciliation of each trade, cash and positions for all accounts and handling related issues that may arise, calculating shadow NAVs, reviewing NAVs from administrators, preparing various daily reports including risk reports for management, handling asset management related administrative matters, preparing and distributing factsheets to investors, handling operational investor queries, and communicating with administrators and prime brokers with respect to operational issues. Our chief

BUSINESS

operating officer is responsible for coordinating operational software updates, business development with new external parties, handling operational due diligence queries from investors, and coordinating with our technology team.

Technology team

Our technology team is headed by our chief technology officer, Mr. Roy van Bakel, and consists of six members located in the Netherlands and Hong Kong as of the Latest Practicable Date. The functions of our technology team are the development of internal trading technology, technology maintenance, technology/IT support, IT infrastructure, implementing quantitative research models and cyber security. Our chief technology officer is responsible for software development, software maintenance, quantitative research, back-up as head of IT, and coordination with our operations and portfolio management teams. Our global head of research and development, Mr. Thorsten Gragert, is responsible for software development, quantitative research, and coordination with our operations and portfolio management teams. Our head of IT is responsible for system/network architecture, hardware and cyber security. We also employ three senior developers.

Risk management team

Our risk management team is headed by our chief technology officer, Mr. Roy van Bakel, and consists of two members, namely Mr. Roy van Bakel and Mr. Thorsten Gragert, located in Hong Kong and the Netherlands, respectively, as of the Latest Practicable Date. The functions of our risk management team include monitoring position and scenario risk limits based on quant sheets, mitigating risk limit breaches and reporting risks to various parties. Roy Van Bakel has authority to intervene in the conduct and execution of trades. Our risk management team are also members of our technology team, and our risk management function is incorporated into our self-developed trading technology platform through the feature ‘Observatory’. For information on Observatory, please see the section headed “Business – Our technology platform” in this prospectus.

We have established a risk committee to identify, evaluate and manage risks arising from our operations, and review policies. For more information, please see the section headed “Business – Risk management and internal control – Risk management” in this prospectus.

Compliance team

Our compliance team consists of two members, namely our chief compliance officer Mr. Edward Donnellan and our chief financial officer Ms. Doris Wong, located in the United States and Hong Kong, respectively, as of the Latest Practicable Date. The functions of our compliance team are to monitor and oversee regulatory compliance and ethical standards. Our Hong Kong SFC compliance is primarily handled by Ms. Wong, and all other compliance matters are primarily handled by Mr. Donnellan.

The objectives of compliance are to: (a) develop procedures covering relevant legal and regulatory requirements and ensure that they are up-to-date; (b) ensure our Group’s employees are suitably equipped with the requisite knowledge and awareness of the policies and procedures through appropriate training; (c) provide guidance and advice with respect to compliance with internal procedures; (d) monitor adherence to our internal policies and procedures; and (e) report suspected non-compliance with legal or regulatory requirements or our internal controls to the responsible officers and the board of the relevant

BUSINESS

entity, which will be responsible for determining if there has been material non-compliance by our Group or our employees which requires reporting to the relevant regulatory authorities, and for initiating any corrective action.

Finance team

Our finance team is headed by our chief financial officer, Doris Wong, and consists of four members located in Hong Kong as of the Latest Practicable Date. The functions of our finance team are handling all cash flows of our companies, invoices, all accounting matters and all administrative matters.

Investor relations and solutions team

Our investor relations and solutions team consists of three persons located globally as of the Latest Practicable Date. The functions of our investor relations and solutions team are business development and sales and marketing activities including organising investor meetings and supporting our investor relations database. Please see the section headed “Business – Sales and marketing” in this prospectus for information on our Group’s sales and marketing activities.

As of the Latest Practicable Date, we engaged 26 staff located in Hong Kong, the United States, the Netherlands and the United Kingdom, respectively. We consider that our team is essential to the success of our business. Through our team’s collective specialisations, we are able to combine options and volatility trading with advanced software engineering. Our senior portfolio management team members have extensive experience in trading options through a variety of different markets. As the team members come from an option market making background, they have a different perspective on volatility, options, liquidity and portfolio management as compared to asset managers from an investment banking background, which has facilitated the development of our trading strategy. Our senior technology team members have over 10 years of experience in proprietary trading and technology development. With their experience in building software for options market makers, they have acquired knowledge and expertise in developing trading software, volatility models and quantitative libraries. We consider that their knowledge, expertise and experience have enabled our Group to develop a sophisticated technology framework with options models and real-time risk management. In addition, our senior management members have developed and maintained a stable working relationship, and have worked together for an extended period of time.

OUR TECHNOLOGY PLATFORM

Our Directors believe that technology is an important element of our business, and our technology platform is crucial for the implementation of trading strategies which we adopt across funds and managed accounts managed by us. Our in-house technology and software development teams, which we mainly engage through our subsidiary T8 Software Consulting Limited, focus on the development, support and management of our trading platform (the T8 Hedge Fund Trading Platform) as well as associated proprietary software and trading architecture.

BUSINESS

Through our technology platform, our portfolio managers may gain access to global stock and derivative markets and exchanges with 24-hour connectivity and may simultaneously trade, manage portfolios and monitor risks in real-time. This is enabled by five key modules developed into our technology platform, namely: (i) the Typhoon Trader®, a front-end system and interface developed for trading; (ii) the Observatory, a real-time risk management system; (iii) the Solunar, a back-office system which enables position, trade and cash reconciliation with third parties as well as supports compliance, accounting and other business functions; (iv) the Quant, our data warehouse for the storage of historical trade and volatility data; and (v) Nitro, the central “nervous system” of our technology platform which integrates all our different modules into one centralised platform, and is designed to be highly scalable and agile to enable risk isolation and frequent updating.

Our technology platform is highly integrated, with established connectivity with key service vendors and providers (including prime brokers, data vendors and administrators) to serve and support all our operational departments and key business functions, as depicted in the diagram below.



Key modules of our technology platform

The key modules of our proprietary technology platform are set out below:

- (i) **Typhoon Trader®:** this is a front-end trading system with a self-developed interface (called Nitro Web) that enables our portfolio managers to centrally manage global positions of portfolios of stocks and derivatives (of multiple asset classes and denominated in multiple currencies) traded on major stock and derivative markets and exchanges during trading hours on one screen. The system is firmly embedded with the following key functionalities/features:
 - **market data access and processing applications:** our self-developed market data gateways convert and normalise different protocols used in real-time data feeds of data vendors into a unified standard for use throughout our technology platform, and enables our portfolio managers to gain real-time access to, and simultaneously monitor, data relating to exchange traded stocks, derivatives and ETFs in multiple asset classes across different stock and derivative markets across the globe;

- ***trade execution capability:*** through connections with direct market access (DMA) electronic facilities provided by automated broker-dealers and prime brokers and the standardisations of protocols used by such brokers, our portfolio managers are able to execute (place, amend and cancel) trades in connection with exchange traded stocks, derivatives and ETFs in multiple asset classes across different stock and derivative markets across the globe in multiple currencies from a single interface;
- ***pricing and option models:*** in-house robust pricing and options models are built into the technology platform which calculates and displays real-time theoretical pricing, implied volatility surfaces as well as risk sensitivities data against various quantifiable factors (or Greeks) of derivatives traded on the technology platform, and provides for customisation for further data analysis in respect of specific derivative contracts, which serve as important inputs to our portfolio managers' trading decisions. The volatility trading model has been built to re-fit the volatility surfaces with the internal knowledge of our portfolio managers gained through years of experience in market making. Such pricing model enables our portfolio managers to review and realise arbitrage opportunities using our trading strategies on a dynamic basis;
- ***analytical and opportunities detection:*** the system provides real-time analytical tools for detecting and flagging opportunities to portfolio managers (including tools which continuously scan the market performing real-time quantitative relative volatility comparisons among different derivatives or indices across volatility surfaces worldwide, backed with historical data supplied by Quant (see below)) which is important for our portfolio managers' trading decisions;
- ***position management:*** the system enables trade aggregations of real-time positions as well as provides multi-currency support. The ability to provide interactive real-time views of portfolio balances, positions, profits or losses and buying power enables our portfolio managers to more easily make informed trading decisions efficiently which is crucial to their management of global positions (including the implementation of hedging strategies) on an ongoing basis;
- ***order allocation:*** the system contains an order allocator tool which allows our portfolio managers to input orders for multiple funds and managed accounts at the same time while ensuring that allocations are made on a fair and equitable basis (based on predetermined parameters with reference to trading/investment strategies, objectives and/or criteria for particular funds or managed accounts);
- ***pre-trade risk controls:*** with a view to mitigating risks arising from inadvertent operational mistakes and in ensuring that trades are within pre-determined limits, the system has entrenched safeguards and limits, and pre-trade risk and limit checks (with reference to size and price of orders) are mandatorily performed when orders are entered; and

BUSINESS

- ***parallel and seamless global access:*** positions of portfolios managed by our Group can be managed seamlessly in parallel from multiple access points worldwide in real-time 24-hours over each trading day.
- (ii) **Observatory:** this is a real-time risk management system that aggregates risk profiles across portfolios and provides our team with real-time global risk overview of all outstanding global positions. The system is embedded with the following functionalities/features:
- ***normalisation of risk positions:*** normalisation of risk profiles into a single currency for coverage of all global positions of portfolios;
 - ***automatic monitoring and alert:*** enables rules to be established for the system to generate alerts which may be signed to our portfolio managers in the form of sound, electronic alerts and/or snapshots upon the meeting of certain risk-related triggers or parameters;
 - ***risk scenario analysis:*** scenario analysis may be performed for review of risk profiles and impact on portfolio which may result from various movements of quantifiable factors such as underlyings and volatilities across global positions.
- (iii) **Solunar:** this is a back-office system which supports our compliance, operations and administration functions:
- ***position, trade and cash reconciliation:*** the system enables the reconciliation and comparison of trades, positions and cash with prime brokers and fund administrators on a daily basis;
 - ***compliance:*** the system provides various compliance tools and generates various automated reports and audit logs to support compliance checks and processes of our compliance department;
 - ***administrative support:*** the system is capable of providing other administrative support, such as provision of daily trade files to fund administrators; and
 - ***accounting:*** the system enables the performance of shadow NAV calculations of our funds and managed accounts to support the financial work and analysis of our accounting department.
- (iv) **Quant:** this is our data warehouse and quantitative library for the storage of historical trade and volatility data. Such historical data assists to calibrate our parameters for trading strategies (for example, in complementing our analytical tools in identifying opportunities); and
- (v) **Nitro:** this is the “nervous system” of our technology platform which integrates all our different modules into one centralised platform, and it is designed to be scalable and modular in nature to facilitate frequent updating and ensure insulation of risks. Please refer to the paragraph below “scalability and security of our technology” for further details.

Through our proprietary technology platform, our portfolio managers would be able to effectively access and monitor real-time data and be alerted by opportunities that are flagged by analytical tools in the Typhoon Trader module (which detects and signals opportunities to our portfolio managers (with such opportunities perceived by pricing and option models in the system through proprietary inputs and parameters which are calibrated with input of historical data stored in our quantitative library from the Quant module)). Where an opportunity has been validated by our experienced portfolio managers, trade positions may be established and processed directly through direct market access to prime brokers via the Typhoon Trader, with orders allocated to our funds and managed accounts through our order allocation tools. Therefrom, our portfolio and risk managers may effectively monitor risk profiles across, and carry out risk scenario analysis through, the Observatory which enables our portfolio managers to unwind or calibrate our trade positions to monetise gains and/or mitigate risk exposures/losses. The efficiency of our technology platform, which has been customised and developed by our technology and software development teams with specialised knowledge and relevant experience, is evident by the ability of our funds under management in outperforming many of our peers in terms of performance (which validates the capability of our technology platform in providing insights on trading strategies and transaction costs as well as accurately identifying market inefficiencies to facilitate our specific way of active trading).

We intend to utilise and continue to enhance our technologies in the future as we launch new funds, managed accounts and structured managed accounts as set out in the section headed “Future plans and use of proceeds” in this prospectus. We are not subject to geographic limitations, and are able to replicate our technology at our different trading locations.

Our technology and software development teams

Our technology and software development teams are led by Mr. Thorsten Gragert and Mr. Roy van Bakel, both of whom have extensive experience in the market making high-frequency trading (HFT) industry. In particular, Mr. Thorsten Gragert started working on software development for trading, pricing and risk management from as early as 1997, and both of them acted as the chief technology officers of Sfiiss Financial Technology B.V. (SFT) commercially known as AtomPro up until 2006, during which time they led software development of risk management software to transition from pit trading to screen-based automated trading for market makers. AtomPro later merged into Saen Options, a leading independent proprietary trading company and a major liquidity provider in European derivative markets with strong focus on technology, where they led a team of developers. Mr. Gragert continued to manage in-house software development at All Options, a derivative trading company with major presence in European markets when it acquired Saen Options in 2009. Since 2010, Mr. Van Bakel has shifted focus in software development from market making to market taking strategy involving relative value volatility and together they were instrumental to the development of our unique and highly sophisticated technology platform used by us today.

As at the Latest Practicable Date, the team comprises of six dedicated staff (representing approximately 23% of our total staff) and together they have decades of relevant experience. The team’s collective expertise and specialised knowledge and know-how is the foundation of our proprietary trading technology developed for our specific way of trading, and we believe that our investment in technology, as well as our overall technological capabilities, provide us with a significant advantage over our

competition. This is further augmented by our team's specialised knowledge and experience in market making which could ensure that the design, structure and calibration of the technology platform could be specifically tailored to fit our trading strategy and processes.

Our entire technology platform (including our trading, pricing, risk management and back-office support software) is developed in-house by our technology and software development teams based in Amsterdam, the Netherlands as well as Hong Kong. We believe that our use of proprietary technology reduces our dependency on external technology suppliers or other potential issues when attempting to update our software.

Development and maintenance of our proprietary technology platform over the years

Our technology team has many years of experience in developing, maintaining and supporting fully automated low-latency market-making trading systems. As elaborated on in the section headed "Business – Our technology platform – Our technology and software development teams" in this prospectus, our technology and software development teams – which is comprised of six dedicated staff who together have decades of relevant experience – is led by Mr. Thorsten Gragert and Mr. Roy van Bakel, both of whom have extensive experience in the market making high-frequency trading (HFT) industry and have worked together for many years prior to joining our Group. For detailed biographical information on Mr. Gragert and Mr. van Bakel, please refer to the section headed "Directors and senior management" in this prospectus. Our technology team has developed our trading systems together with our experienced portfolio management team (such as in terms of user and setting requirements and the specifications of such systems). Certain key personnel of these teams have worked together on other businesses prior to joining our Group. This background and the short communication lines between our technology and portfolio management teams have allowed us to efficiently build our trading system from scratch, beginning in 2010. Our trading system has grown with our Group. When our trading system started, we only needed to support one office and one trading account, and our trading strategy did not require any low latency or automatic trading features as with previous market making systems. Consequently, we were able to quickly develop a trading system with support for one market data vendor, one prime broker, basic derivative pricing models and a risk management module. Over the years, our trading system has grown in line with the growth of our business, with our technology department developing many features including: support for multiple market data vendors, support for multiple prime brokers, support for multiple offices, support for multiple funds/accounts, model enhancements for risk management and user interface enhancements. As the growth in our fund management business accelerated over the last few years, the number of our technology personnel increased, so that the growth of our trading system development has aligned with the growth of our business.

Scalability of our technology

Our trading platform is highly customised yet scalable for use of different trading strategies (involving different derivative products, asset classes and geographic markets), and as such, there is potential for our technology platform to be tailored for adoption and use of various market participants who are skilled and/or have a particular focus on specific products, asset classes, geographic markets with the use of various strategies. On such basis, our Directors believe that there is potential for our technology platform to be monetised, through licences and/or the provision of ongoing maintenance, support and consultancy services, in the future.

Quantitative research

In order to evaluate, enhance and research new models and trading strategies, we collect historical data in respect of trade executions, historical (implied) volatility surfaces and time series of market instruments. This data is applied to profit and loss explanation, model calibration, back-testing and other research projects. Techniques used include mathematical optimisation, statistical and econometric techniques, as well as machine learning techniques based on artificial intelligence. The research results are then applied by the portfolio managers for the purpose of enhancing our trading strategies.

Stability and security of our technology

Software used in our technology platform is built through continuous integration pipelines, and to ensure quality, all new code or code changes are peer reviewed and must pass certain automated tests prior to deployment. Our technology platform generally has a modular design, which allows us to independently test and implement updates, improvements and add-on features on an ongoing basis without disrupting our ongoing business activities. In particular, our technology platform adopts cloud-native technology whereby certain of our applications can be deployed as lightweight containers (software packages which are isolated from one another and bundle their own software, liabilities and configuration files) and micro-services (arranged as a collection of loosely coupled services which are independently developed using language and a framework best suited for functionality and independently deployable, but may discover each other through application runtime, creating an elastic infrastructure and application architecture that may be scaled-out with efficiency and high performance) within our internal servers, which enables easy scaling of applications and facilitates our engineers to make frequent changes – developers may treat each service independent of the other, and such decoupling enables them to focus on the core functionality of each service to deliver fine-grained functionality. Such modular structure and the fact that cloud-native applications do not have affinity to particular operation systems or machines and operate on a higher abstraction level materially mitigates the risk of downtime to our trading activities or damage that may be caused by disruptions to certain individual modules.

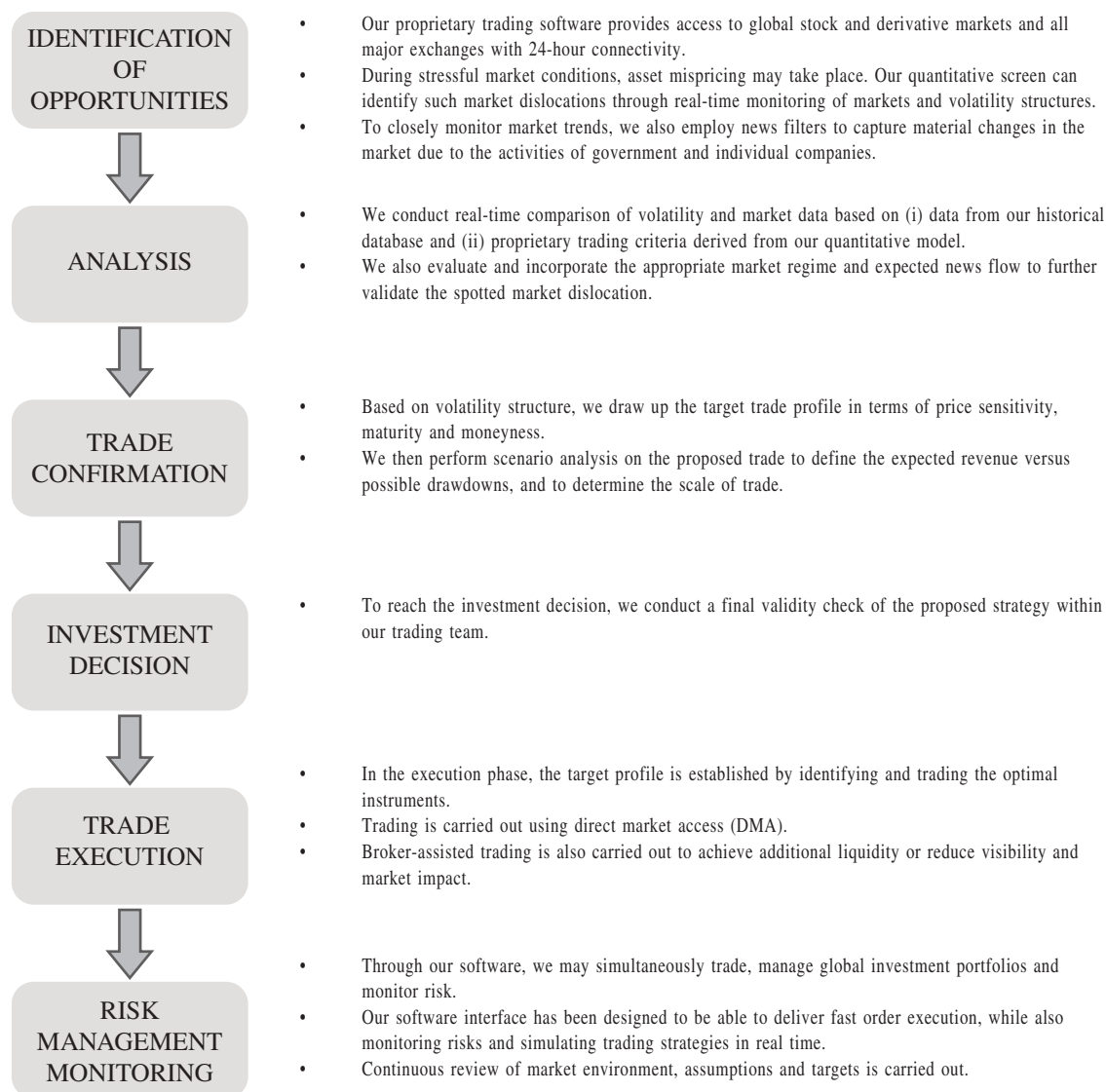
To ensure that our technology platform is always up and running across multiple locations in which we operate, we have designed redundancies through our private cloud hosted by secured data centres in various locations. Such redundancies are important to ensure more fluid and resilient trading without disruptions, even if parts of our servers are compromised. In the near future, we intend to invest further on our technology infrastructure and create further redundancies to ensure that our system is more fail-safe.

Our systems are designed such that they can be accessed, maintained and supported by qualified professionals from any of our offices across the globe. We believe that we have an effective disaster recovery and business contingency plan in place, which is designed to ensure minimum disruptions to our business activities. Our trading platform is secure, and we have a comprehensive IT security system that is designed to protect it from attacks from both inside and outside our technology platform. Our trading platform is connected to our prime brokers via secured and dedicated connections which are closed to the general public, which mitigates security risks and unauthorised access.

BUSINESS

We currently do not sell, lease or rent our technology platform or related software. We consider that operating and maintaining our own in-house technology platform and software requires fewer people and can be done much more efficiently; in particular, we are able to identify issues and capture opportunities for improvement effectively.

OUR INVESTMENT PROCESS



Trade allocation process between different funds and managed accounts

Allocations are generally made with reference to investment objectives and risk parameters as set out in relevant investment management agreements and private placement memorandums, as applicable. Where a traded product is appropriate for more than one fund or managed account, generally the allocation will be made on a pro rata basis based on the NAV of the respective funds and managed accounts, giving appropriate consideration to capital exposure (as well as leverage, where relevant) and to the applicable strategy tailored for particular funds or managed accounts.

Where the portfolio manager elects to trade for two or more funds and/or managed accounts at the same time, to the extent possible, we will use our order allocation tool Typhoon Trader® to automatically split orders on a pro rata basis in accordance with latest available NAV of the respective funds and managed accounts, giving appropriate consideration to capital exposure and applicable volatility strategy for the particular funds or managed accounts.

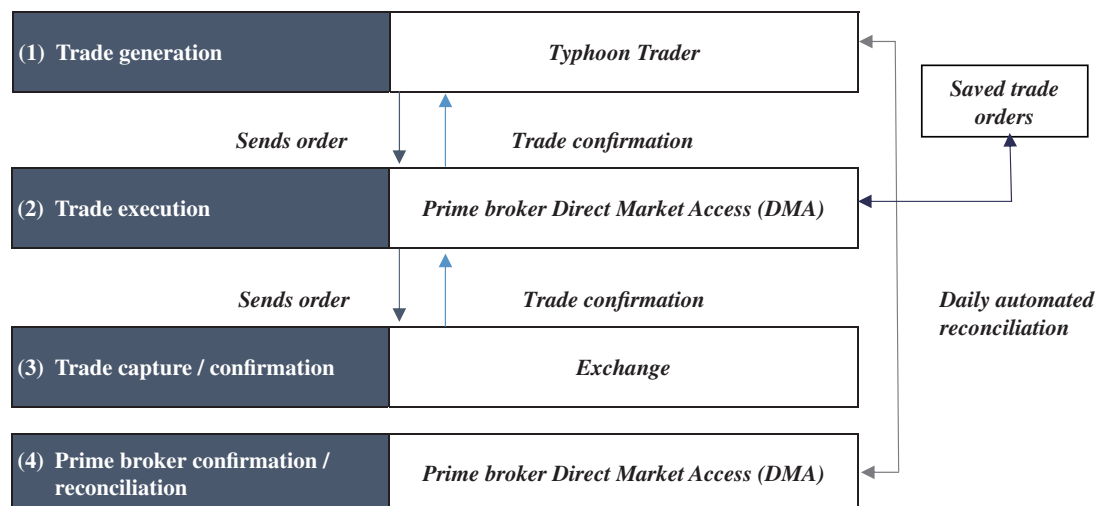
Trades are allocated among the funds and managed accounts under our management on a fair and equitable basis, and no preferential treatments are offered to any particular fund or managed account due to factors such as fees structures and history of relationship with investors.

Operational processes

Throughout the trade cycle, our own proprietary trading technology system is applied, which provides straight-through processing. For detailed information on the Typhoon Trader®, a system and interface developed for front-end trading, and the Solunar, a back-office system which enables position, trade and cash reconciliation with third parties as well as supports compliance, accounting and other business functions, please see the section headed “Business – Our technology platform” in this prospectus. Trades are initiated for two reasons: (i) for increasing/decreasing volatility spread positions and (ii) for hedging trades.

BUSINESS

The stages of our fund’s trade lifecycle are (i) trade generation; (ii) trade execution; (iii) trade capture/confirmation; and (iv) prime broker confirmation/reconciliation. The following diagram sets out our fund’s trade lifecycle:



- (1) Trade orders which are both visible and cancellable at any time are created in the Typhoon Trader by our portfolio managers.
- (2) Trade orders are sent through the connection between Typhoon Trader and the direct market access (“DMA”) of the prime broker. Upon acceptance, the prime broker will then send the orders to the relevant exchange.
- (3) A trade confirmation message generated by the relevant exchange is sent to the primer broker which in turn sends the message to the Typhoon Trader through the DMA connection. Upon receipt of this message, the Typhoon Trader will then update the inventory position.
- (4) On a daily basis, our operations team reconciles the cash balances, trades and open positions from Typhoon Trader against the respective prime broker’s client accounts in an automated fashion using the Solunar, an in-house software. Differences between the Typhoon Trader and prime broker’s client accounts are followed up on by our operations team immediately.

As of the Latest Practicable Date, we have not incurred any major trade breaks.

Prime brokers

During the Track Record Period, we principally engaged Bank of America Securities (formerly known as Bank of America Merrill Lynch) and another global investment bank as our prime brokers, who in aggregate accounted for over 99% of our traded volume over the Track Record Period. In addition to the two main prime brokers, we also engaged certain other prime brokers primarily for back-up purposes.

BUSINESS

Broker assisted trades are given-up to the prime brokers in accordance with give-up agreements under which the prime broker executes trades on our behalf. Our prime brokers have direct execution capabilities in equities, futures and options in many markets. In addition to executing trades on our behalf, providing automatic trade confirmation and custodian services, the prime brokers provide daily statements to our Group, including statements on all trades and outstanding positions. For information on the trade execution and confirmation process, please see the section headed “Business – Our investment process – Operational processes” in this prospectus.

All of our prime brokers are Independent Third Parties. Our HK Sub-Manager and U.S. Sub-Manager have implemented best execution policies.

Our HK Sub-Manager maintains an approved broker list based upon internal criteria, and our portfolio managers place orders solely with brokers appearing on the list. In selecting a broker for each transaction, we use best judgment in choosing the broker most capable of providing best execution, that is obtaining the best available terms in respect of all types of financial instruments when executing orders, taking into account the price, cost, speed and likelihood of settlement, size and nature of the order and any other relevant considerations. Senior management and the manager-in-charge (“MIC”) for compliance periodically review the performance of each broker. The portfolio management team, operations team and the MIC for compliance review commissions paid against the attributes of each broker to determine if the commission paid is reasonable in light of the services provided.

Our U.S. Sub-Manager also seeks best execution for our investors when selecting a broker-dealer. Our efforts to obtain the best execution and commission prices on any individual transaction depends on our judgment, experience and knowledge in evaluating the broker-dealer’s reliability and capability based on previous and pending transactions effected by the broker-dealer. Our U.S. Sub-Manager’s co-chief investment officers are responsible for monitoring trades in public securities to confirm that we are complying with our fiduciary duty regarding best execution. At least annually, the chief compliance officer will review the relationships with our broker-dealers and consult with the co-chief investment officers to determine whether best execution responsibilities are being met.

Settlement

The prime brokers are responsible for effecting settlement of trades and transactions submitted by our HK Sub-Manager and U.S. Sub-Manager through cash and securities accounts maintained with them. In this regard, the prime brokers shall be responsible for transferring cash or securities deposited in the relevant accounts to counterparties in respect of trades executed, and may settle the HK Sub-Manager and U.S. Sub-Managers’ obligations on their behalf to settle trades by way of credit and securities lending facilities, provided that there is sufficient margin in the relevant accounts.

Cash management

We hold the True Partner Fund and the True Partner Volatility Fund’s cash balances primarily with the prime brokers to capture intra-day opportunities and are subject to margin haircuts. We also hold cash balances at the respective accounts of the custodian bank as needed for redemptions and third-party payments.

BUSINESS

Redemptions and third party payments from the funds' bank accounts require the approval of any two of our chief financial officer, chief investment officers, chief operating officer and our risk manager whereas any wire transfers and payments to and from cash or securities accounts held with prime brokers require the approval of our chief financial officer and a chief investment officer and/or a senior portfolio manager. Any redemption requests in respect of our funds must be made to, and further approved, by the fund administrator and one of the directors of the Investment Manager.

Administrators

Each of the funds has appointed an administrator to support the funds' operations. During the Track Record Period, we engaged Maples Fund Services (Cayman) Limited and its delegate Maples Fund Services (Asia) Limited as administrators to the funds launched by us.

The funds' administrators' responsibilities generally include the following (without limitation): keeping, maintaining and making available for inspection the fund's register; arranging for the allotment, issue, transfer, conversion, redemption, withdrawal and purchase of shares/interests; preparing new share certificates; performing AML procedures relating to current and potential investors; arranging dividend payments to funds' investors and processing distributions and redemption monies; arranging for payments of monies received on behalf of the fund, including processing subscription proceeds; determining the NAV; calculating the management fees and performance fees based on the NAV; preparing financial statements; and distributing documents to investors, including circulars, notices of meetings, reports and financial statements. Generally, the funds delegate the operation of their subscription and redemption/bank accounts to the administrator. Payments to third parties out of these accounts are subject to the administrator's authorisation.

OUR FUNDS UNDER MANAGEMENT

During the Track Record Period and up to the Latest Practicable Date, we managed six funds launched by us through two master-feeder structures, and were engaged through investment management and advisory services agreements to manage two co-branded funds as well as four managed accounts (of which two of the managed accounts and one of the co-branded funds have been terminated as at the Latest Practicable Date). Details of these funds are summarised below:

Our funds

- (i) **True Partner Fund:** this fund was launched on 20 July 2011 and was initially a stand-alone fund, but was restructured into a master-feeder structure in August 2019 following which True Partner Fund acted as the master fund of two feeder funds, namely (i) the True Partner Offshore Fund, a Cayman Islands exempted company formed for investment by non-U.S. investors and U.S. tax-exempt investors; and (ii) the True Partner Onshore Fund, LP, a partnership formed for investment by U.S. taxable investors, with True Partner Onshore Fund GP, LLC, a wholly-owned subsidiary of the Investment Manager, as general partner. Under such structure, the two feeder funds invest substantially all of their assets (including capital raised from investors) into the master fund.

BUSINESS

The trading strategy of these funds is relative value volatility whereby our portfolio managers strive to generate absolute returns while maintaining low net exposure to the general direction of the market, with a view to purchasing relatively under-valued options and selling relatively over-valued options, and then actively hedging the resulting options positions accordingly. The overall volatility exposure is intended to be neutral, and the strategy requires active, quantitative trading with medium turnover frequency as well as dynamic intra-day hedging of overall market directional exposure through buying and selling underlying instrument of corresponding option. All products traded are exchanged-listed and considered relatively liquid.

The table below summarises key information regarding these funds:

<i>Fund entities:</i>	<p>True Partner Fund (master fund)</p> <p>True Partner Onshore Fund, LP (onshore feeder fund)</p> <p>True Partner Offshore Fund (offshore feeder fund)</p>
<i>Fund structure:</i>	Master-feeder fund structure
<i>Date of launch:</i>	20 July 2011
<i>Geographical coverage:</i>	<p>The global investment portfolio is traded from two locations (Hong Kong and Chicago) and one combined book is used for all markets</p> <p>The fund trades globally listed equity index options, mega cap single name options and the corresponding underlying futures, securities and ETFs, with a focus on Asian markets which are less mature and generally offer more arbitrage opportunities</p>
<i>AUM as at 31 July 2020 (being the latest practicable date of this information):</i>	US\$283.9 million
<i>Investors' profile:</i>	<p>As of 30 June 2020:</p> <ul style="list-style-type: none"> • pension plans/funds • family offices • collective investment undertakings • endowments/foundations/charities • high net worth individuals • our subsidiary True Partner Advisor Limited
<i>Fund administrator:</i>	<p>Maples Fund Services (Cayman) Limited, Hong Kong</p> <p>delegate: Maples Fund Services (Asia) Limited</p>
<i>Fund administrator jurisdiction:</i>	<p>Cayman Islands</p> <p>delegate: Hong Kong</p>

- (ii) **True Partner Volatility Fund:** this fund was launched in September 2016 and is structured as a master-feed structure with True Partner Volatility Master Fund acting as a master fund of two feeder funds, namely, (i) the True Partner Volatility Fund, a Cayman Islands exempted company formed for investment by non-U.S. investors and U.S. tax-exempt investors; and (ii) the True Partner Volatility U.S. Fund, LP, a partnership formed for investment by U.S. taxable investors, with True Partner Volatility Fund GP, LLC, a wholly-owned subsidiary of the Investment Manager, as the general partner.

These funds are structured in a similar manner as the True Partner Fund master-feed structure described above, with a similar investment objective to seek consistent absolute returns through the trading of globally listed securities and derivatives across all time zones via a single book, with identification and trading of relatively undervalued and overvalued options across multiple exchanges as well as continuous hedging of directional exposure. The trading strategy however is slightly different in that it has a long volatility bias, which means that the trading strategy is tailored to have more negative correlation to equities (i.e. able to capitalise on significant movements of the underlying security such as in a downturn in the equities market) compared to the relative value volatility strategy. Having a long volatility bias means that the fund will always have an excess of long volatility (i.e. long options) over short volatility (i.e. short options). As the value of long options typically loses extrinsic value over time as it approaches expiry (commonly referred to as “time decay”), having such long volatility bias means that the fund may incur losses arising from time decay caused by solely holding a long volatility position, or having a long volatility bias. In order to mitigate the effects of time decay, the fund strategy involves trading of volatility spreads (involving both long and short options) with a view to generate returns.

The table below summarises key information regarding these funds:

<i>Fund entities:</i>	True Partner Volatility Master Fund (master fund) True Partner Volatility U.S. Fund, LP (onshore feeder fund) True Partner Volatility Fund (offshore feeder fund)
<i>Fund structure:</i>	Master-feeder fund structure
<i>Date of launch:</i>	1 September 2016
<i>Geographical coverage:</i>	The global investment portfolio is traded from two locations (Hong Kong and Chicago) and one combined book is used for all markets The fund trades globally listed equity index options, mega cap single name options and the corresponding underlying futures, securities and ETFs, with a focus on Asian markets which are less mature and generally offer more arbitrage opportunities

BUSINESS

AUM as at 31 July 2020 (being the latest practicable date of this information): US\$201.6 million

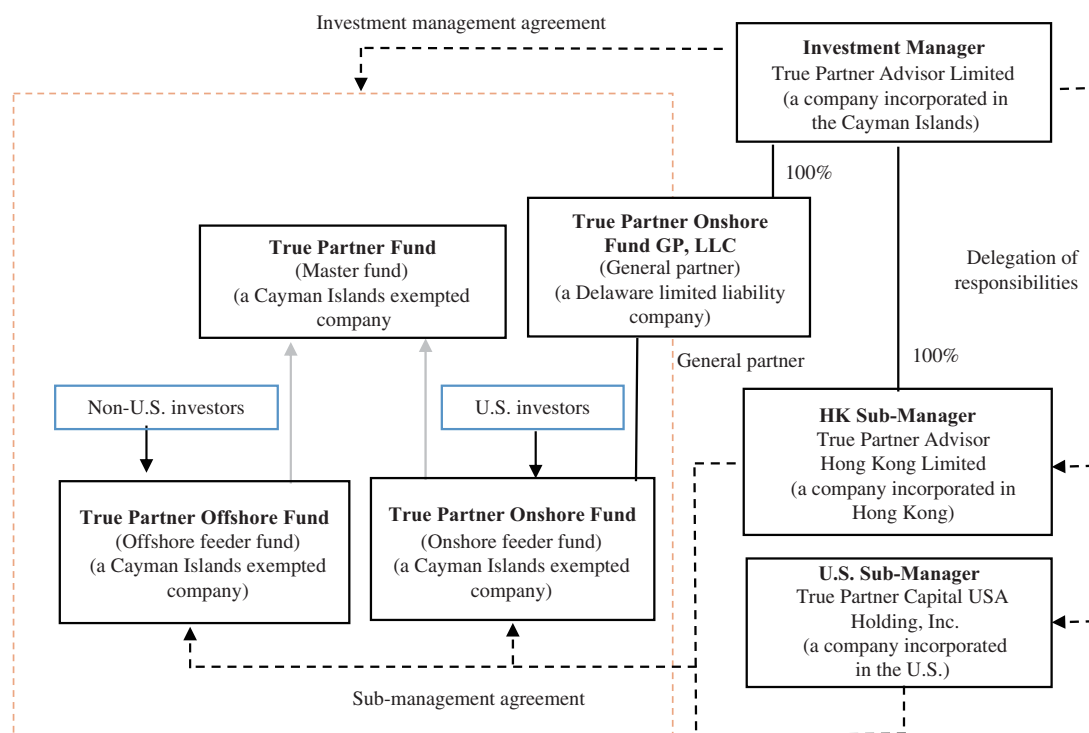
Investors' profile: As of 30 June 2020:

- pension plans/funds
- collective investment undertakings
- executive Director of the Company

Fund administrator: Maples Fund Services (Cayman) Limited
delegate: Maples Fund Services (Asia) Limited

Fund administrator jurisdiction: Cayman Islands
delegate: Hong Kong

The following chart describes the fund structure of our True Partner Fund and its feeder funds:



The True Partner Volatility Fund has a similar structure, except that they have different feeder fund entities (namely True Partner Volatility U.S. Fund, LP (onshore feeder fund) and True Partner Volatility Fund (offshore feeder fund)) and the general partner of the onshore feeder fund is another wholly-owned subsidiary of the Investment Manager (namely True Partner Volatility Fund GP, LLC).

Key difference between the strategy applied for the True Partner Fund and the True Partner Volatility Fund

The True Partner Fund and the True Partner Volatility Fund both apply our Group's relative value volatility trading strategy. However, the key difference between the two funds lies in the intended scaling of trading opportunities. Where the True Partner Fund tends to scale the long volatility opportunities (i.e. purchasing options) to the same extent as the short volatility opportunities (i.e. selling options), the True Partner Volatility Fund tends to scale the long volatility opportunities to a larger extent than the short volatility opportunities (i.e. purchasing more options than selling). As a result, where the True Partner Fund has a "volatility neutral" position, the True Partner Volatility Fund has a "long volatility bias".

The difference between the two funds can also be illustrated by the following two historical market shocks:

- **"Volmageddon"**: in February 2018, after an initial sharp increase in volatility, markets subsequently reverted back to a calmer environment by month's end. The main driver of our Group's strategies' positive performance during such period resulted from relative value trading opportunities. In these opportunities, the True Partner Fund equally weights long volatility and short volatility, whereas the True Partner Volatility Fund overweighs long volatility compared to short volatility. Thus in a market with sharp movement in volatility where the volatility levels revert back down by month's end, the True Partner Fund will outperform the True Partner Volatility Fund. This occurred in February 2018 with the True Partner Fund returning +21.4% and the True Partner Volatility Fund returning +19.5%. In this month, a substantial part of the return was driven from opportunities where volatilities in some markets were relatively overpriced and reverted back to lower levels. In these opportunities, the short volatility positions were scaled smaller in the True Partner Volatility Fund compared to the True Partner Fund.
- **COVID-19 pandemic (Q1 2020)**: the events that occurred in the first quarter of 2020 were more sustained in which volatility sharply rose and remained elevated. For the True Partner Volatility Fund, which captured the relative value trading opportunities with the long volatility bias, generated positive performance. Therefore, logically the True Partner Volatility Fund outperformed the True Partner Fund with a return over the first quarter of 2020 of +18.12% compared to the performance of +13.27% for the True Partner Fund. In this month, part of the return was driven from opportunities where volatilities in some markets were relatively under-priced and caught up towards the end of the month, with volatilities in general having risen substantially. In this situation, the long volatility positions were scaled larger in the True Partner Volatility Fund compared to the True Partner Fund.

Assets under management under discretionary investment management mandates

In addition to funds which are marketed and launched by us, we have also entered into advisory and investment management agreements with third parties who have established their own funds. These third parties may allocate a sub-fund of their umbrella fund or a portion of their assets to be managed by us through discretionary investment management mandates. The investment objectives and approach which we take when managing such assets or funds would generally be consistent with the investment objectives and approach we adopt for the True Partner Fund and the True Partner Volatility Fund, i.e.

BUSINESS

seeking capital appreciation with emphasis on absolute returns through the trading of globally listed securities and derivatives using our in-house pricing models and analytical tools, although the trading strategies that may be adopted, in terms of *inter alia* correlation to global equity markets over investment cycles or volatility bias etc. may vary from fund to fund.

Details of these funds are summarised below:

- (i) **Co-branded funds:** during the Track Record Period, we were engaged to manage two co-branded funds (being funds which include the True Partner name in the name of the fund).

One of these co-branded funds which was launched in June 2019 was to for UCITS fund authorised by the Central Bank of Ireland, which was established as a sub-fund of an open-ended umbrella collective asset management vehicle, and we were engaged as the sub-investment manager to the investment manager of the sub-fund to provide discretionary investment management and advisory services deploying our trading strategies and technology.

The other co-branded fund is a fund-of-one which invests in a further fund structured as a Delaware incorporated limited partnership which has appointed us as sub-investment manager to the investment manager and advisor. Such fund was placed into voluntary liquidation on 26 August 2019 and dissolved on 30 December 2019 due to termination of the mandate.

The tables below summarise key information regarding these funds:

IAM True Partner Volatility UCITS Fund

<i>Engagement arrangement:</i>	Sub-investment manager to the investment manager of sub-fund
<i>Fund structure:</i>	Sub-fund of open-ended umbrella collective asset management vehicle
<i>Date of our engagement:</i>	4 June 2019
<i>Geographical coverage:</i>	The global investment portfolio is traded from two locations (Hong Kong and Chicago) and one combined book is used for all markets
	The fund trades globally listed equity index options, and the corresponding underlying futures
<i>AUM as at 31 July 2020 (being the latest practicable date of this information):</i>	US\$361.7 million

UCITS funds

UCITS funds are stringent in terms of portfolio composition, use of leverage, use of short sales and transparency and there is a strong level of regulatory scrutiny and reporting responsibilities enforced by regulators, and for such reasons, they could (through appropriate channels) be legally made accessible to, and are an attractive investment choice for, European based institutional and retail investors familiar with such funds. From an investment management perspective, managing UCITS funds means we would be subject to various addition requirements, obligations and restrictions. In particular:

- the relevant investment managing entities would be required to have initial capital of at least EUR125,000 and comply with applicable financial resources rules prescribed by the European Commission;
- the competent authorities must be satisfied as to the suitability of substantial shareholders and members of the management company;
- various responsibilities and obligations are imposed on the depositary; in particular, to ensure that the sale, issue, repurchase, redemption and cancellation of units of the UCITS and value of units of the UCITS are carried out in accordance with the applicable national law and the fund rules or instruments of incorporation;
- there are certain restrictions on the types and extent of investments in various securities, deposits and derivatives. For example, the investments of a UCITS must only comprise of transferable securities, units of authorised UCITS or collective investment undertakings, deposits with credit institutions, financial derivative instruments and approved money market instruments;
- for risk diversification purposes, UCITS are required to have an appropriate spread of investments in order to diversify risks, for example, a UCITS may invest no more than 20% of its assets in deposits made with the same body, a UCITS may acquire the units of UCITS or other collective investment undertakings, provided that no more than 10% of its assets are invested in units of a single UCITS or other collective investment undertaking (but member states may raise this 10% limit to a maximum of 20%); and a UCITS may invest no more than 5% of its assets in transferable securities or money market instruments issued by the same body (but member states may raise this 5% limit to a maximum of 10%). These spread requirements also address investors' risk management demands, including in respect of liquidity risk and counterparty risk exposure;
- there are specific reporting requirements set out in UCITS directives which prescribe information that must be provided to investors to ensure transparency, including a prospectus, and half yearly and annual reports. Further, a UCITS must make public in an appropriate manner the issue, sale, repurchase or redemption price of its units each time it issues, sells, repurchases or redeems them, and at intervals of at least twice a month. A document referred to as 'key investor information' must be drawn up and include

BUSINESS

specified essential elements, such as identification of the UCITS, a short description of a fund's investment objectives and investment policy, cost and associated charges. Key investor information constitutes pre-contractual information;

Co-branded fund A (closed as at the Latest Practicable Date)

The other co-branded fund was a fund-of-one launched in November 2015 which invests substantially all of the assets in Managed Account D. We were engaged as the investment manager to co-branded fund A as well as the sub-investment manager to Managed Account D. This fund has been closed as at the Latest Practicable Date.

<i>Engagement arrangement:</i>	Investment manager to co-branded fund A Sub-investment manager to Managed Account D
<i>Fund structure:</i>	Fund-of-one (i.e. substantially all of the assets of the investor fund invested in Managed Account D)
<i>Date of our engagement:</i>	30 November 2015
<i>Geographical coverage:</i>	The global investment portfolio is traded from two locations (Hong Kong and Chicago) and one combined book is used for all markets The fund trades global equity indices, certain single name stocks and the corresponding underlying futures, securities and ETFs
<i>Fund administrator:</i>	Maples Fund Services (Cayman) Limited
<i>Fund administrator jurisdiction:</i>	Cayman Islands

- (ii) **Managed accounts:** we were engaged to invest, trade and manage assets in one or more trading accounts of third parties with the deployment of our trading strategies and approach. For each of these engagements, our Investment Manager was engaged as the investment manager and our HK Sub-Manager was engaged as the sub-manager of the managed accounts or allocated portion of a sub-fund.

One of these, launched in May 2018, is a fund operated entirely under the name of the third party which established the main fund. Such third party was appointed as investment manager and advisor to the fund, and has appointed our U.S. Sub-Manager to manage an allocated portion of the sub-fund, and part of such management was further delegated to the management of our HK Sub-Manager as sub-manager. The table below summarises key information regarding this fund:

BUSINESS

Managed Account A (managed account in relation to the investment management mandate of Investor B)

Engagement arrangement: HK Sub-Manager manages an allocated portion of the sub-fund

Date of our engagement: 29 June 2018

Geographical coverage: The global investment portfolio is traded from two locations (Hong Kong and Chicago) and one combined book is used for all markets

The fund trades global equity indices, certain single name stocks and the corresponding underlying futures, securities, ETFs and UCITS

AUM as at 31 July 2020 (being the latest practicable date of this information): US\$450.1 million *Note 1*

Note:

- (1) Throughout the Track Record Period, Managed Account A was leveraged at a ratio up to 1.65 as the investor wanted to increase its exposure to the trading strategy to our Group. The leverage of 1.65 times refers to leverage (used in the sense of “position to take advantage of” as opposed to a debt ratio) in terms of increasing the exposure to the trading strategy adopted by us; which means that the trading positions which we would enter into for Managed Account A (and therefore the exposure to our trading strategy) would be up to 1.65 times that of the True Partner Fund. Such “leveraging” of Managed Account A (or positioning Managed Account A to take advantage) of exposure to our strategy however does not involve any borrowing or leverage facility (as there is at all times sufficient available cash in the account from contributed capital and/or retained profits to execute the trading strategy with increased exposure). We do not bear any trading risk exposures due to the relevant leveraging arrangements as we are merely mandated to manage the assets and funds in the managed accounts pursuant to the relevant discretionary investment management agreement (i.e. there is no recourse against us for any trading losses). As at the Latest Practicable Date, the account was leveraged at a ratio of 1.65. As a result, the AUM of the account (which measures the capital contributed by the investor, taking into account the effect of leverage on that capital) was approximately US\$450.1 million, whilst the NAV of the account (which measures the value of the net assets traded by our Group on behalf of the investor, without taking into account the effect of leverage on capital contributed by the investor) was approximately US\$272.8 million.

BUSINESS

The table below summarises key information regarding the three other managed accounts:

Managed Account B (managed account in relation to the investment management mandate of Investor C)

<i>Engagement arrangement:</i>	Investment Manager as investment manager HK Sub-Manager as sub-manager
<i>Date of our engagement:</i>	17 January 2019
<i>Geographical coverage:</i>	The global investment portfolio is traded from two locations (Hong Kong and Chicago) and one combined book is used for all markets The fund trades global equity indices, certain single name stocks and the corresponding underlying futures, securities and ETFs
<i>AUM as at 31 July 2020 (being the latest practicable date of this information):</i>	US\$91.6 million

Managed Account C (closed as at the Latest Practicable Date) (managed account in relation to the investment management mandate of CSC Futures)

<i>Engagement arrangement:</i>	Investment Manager as investment manager HK Sub-Manager as sub-manager
<i>Date of our engagement:</i>	1 February 2013
<i>Geographical coverage:</i>	Equity indices, certain single name stocks and the corresponding underlying futures, securities and ETFs traded in Hong Kong, Mainland China and Taiwan

Managed Account D (closed as at the Latest Practicable Date) (managed account in relation to the investment management mandate of Investor D)

<i>Engagement arrangement:</i>	HK Sub-Manager manages an allocated portion of a fund (the sub-account)
<i>Fund structure:</i>	Managed account for two investors: co-branded fund A (closed as at the Latest Practicable Date) and Investor D
<i>Date of our engagement:</i>	15 October 2015

Key difference in the nature and operation of our Group's self-launched funds, co-branded funds and managed accounts

The investment objectives and approach of our self-launched funds are similar to that of co-branded funds and managed accounts, although the trading strategy that may be adopted by certain co-branded funds and managed accounts may be calibrated to suit the particular requirements of the relevant investors. For example, we are subject to UCITS liquidity requirements when trading for the IAM True Partner Volatility UCITS Fund, and Managed Account A is leveraged at a ratio of 1.65 as the investor wishes to increase its exposure to our trading strategy. Further, the specific fee arrangements may vary between the different funds and managed accounts, as they may be separately negotiated (with investors of managed accounts typically more substantial in size).

The logistics of trading funds and managed accounts are similar, with the key difference being the organisational set-up. In respect of managed accounts and co-branded funds, the client/investor determines the fund structure as well as engagement of service providers (such as prime broker, administrator and auditor selected) in consultation with our Group, and the client/investor is the formal account holder, while licensed entities within our Group will be engaged as investment manager or sub-investment manager to carry out discretionary investment management on assets designated to be managed by us in the account based on our trading strategy. For self-launched funds on the other hand, we arrange the logistics of the structure, and are directly responsible for sourcing, engaging, communicating with and reporting to investors.

Stocks and derivatives traded in our funds

Currently our funds and managed accounts focus on trading exchange listed products only. Derivatives that may be traded by funds and managed accounts managed by us may vary from fund to fund based on the trading strategies adopted, volatility bias and other factors (such as restrictions on investment spread, for example, for UCITS funds). The funds and managed accounts will invest principally in exchange listed options, given the market making background of our portfolio management team who have specialist views on trading options and volatility. However, for delta hedging purposes, our funds may also invest in other financial (derivative) instruments including futures and large-cap stocks. The underlying instruments of investments include, without limitation:

- equity indices including, without limitation, major equity indices such as S&P 500, Nasdaq, AEX, CAC, FTSE, DAX, Eurostoxx 50, Dow Jones, SMI, ASX, Nikkei, Kospi 200, Hang Seng and TWSE and volatility futures and options such as VIX options and futures and VStoxx futures
- single stocks in various jurisdictions including, without limitation, the U.S., the United Kingdom, Germany, and Hong Kong
- ETFs on equity
- interest rate futures and related ETFs
- commodity futures and options
- currency futures and options

BUSINESS

Some funds may also have cash deposits or cash equivalents (such as treasury bills, government floating rate notes and fixed rate commercial paper listed or traded on permitted markets), certificates of deposit and/or money market instruments (such as money market collective investment schemes) in order to facilitate trading in derivatives.

Listed options and futures traded generally have maturities of less than six months.

Redemptions by shareholders of shares in our funds

As is common with most investment funds, shareholders of our funds may redeem all or any portion of their investment in a class of shares in our funds subject to the following key terms laid out in the private placing memorandum and offering memorandum of our funds:

- (i) *redemption notice*: in order to redeem the shares from our funds, the shareholders of our funds have to submit a redemption notice, in the form specified by the fund, to the administrator of the fund, or its delegate, designating a redemption date. For most of the funds/managed accounts of our Group, the redemption notice is to be received 20 business days prior to the intended redemption date. “Redemption date” is defined in the private placing memorandum of the funds to be the first business day in each month and/or such other day as the director of the fund may from time to time determine.
- (ii) *calculation of redemption price*: shares will be redeemed at the redemption price, which shall be the NAV per share calculated as at the valuation date immediately preceding the relevant redemption date. The directors of our funds may also deduct from our fund such amount that they consider to be an appropriate allowance to reflect the fiscal and sale charges that would be incurred while realising assets or closing out positions to provide funds to meet with the redemption request. The administrator of our funds will cause the redemption proceeds to be paid to the shareholder within the prescribed period as stated in the private placing memorandum of each fund.
- (iii) *“first in, first out”*: where a redemption request is made by a shareholder who has acquired shares of a class on more than one date, the shareholder’s share of that class will be redeemed on a “first in, first out” basis that is with the redemption notice being deemed to be made in respect of the shares of the class acquired earlier in time over those acquired later in time with respect to the class.

A shareholder may not withdraw a redemption request once submitted to the administrator unless the directors of our fund have suspended (a) the calculation of the NAV per share or (b) the redemption, or the directors determine in their sole discretion to permit the withdrawal of such redemption request.

BUSINESS

PERFORMANCE OF FUNDS

AUM breakdown

The following table sets out the AUM of each of our funds since the date of inception of our funds or managed accounts:

Fund	As at 31 December								As at 31 March	
	2011 (US\$' million)	2012 (US\$' million)	2013 (US\$' million)	2014 (US\$' million)	2015 (US\$' million)	2016 (US\$' million)	2017 (US\$' million)	2018 (US\$' million)	2019 (US\$' million)	2020 (US\$' million)
True Partner Fund	31	33	98	78	60	95	109	266	296	319
True Partner Volatility Fund	N/A	N/A	N/A	N/A	N/A	150	153	184	188	249
IAM True Partner Volatility UCITS Fund	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	229	343
Co-branded fund A (closed)	N/A	N/A	N/A	N/A	2	2	4	5	N/A	N/A
Managed Account A ⁽¹⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A	125	330	363
Managed Account B	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	95	98
Managed Account C (closed)	N/A	N/A	4	10	10	10	10	10	N/A	N/A
Managed Account D (closed)	N/A	N/A	N/A	N/A	23	23	46	45	N/A	N/A
Total	31	33	102	88	95	280	322	635	1,138	1,373

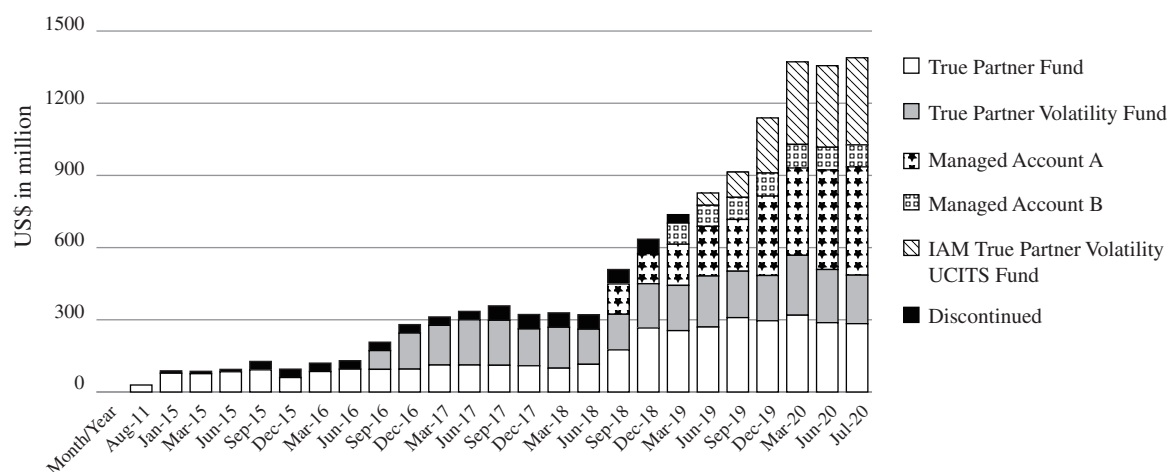
Notes:

- (1) Throughout the Track Record Period, Managed Account A was leveraged at a ratio up to 1.65 as the investor wanted to increase exposure. As at 31 December 2018, the account was not leveraged, and as at 31 December 2019 and 31 March 2020, the account was leveraged at a ratio of 1.65, and the AUM of the account takes into account the effect of the leverage. For more information on the leveraging of Managed Account A, please see the section headed "Business – Our funds under management – Assets under management under discretionary investment management mandates – Managed Account A" in this prospectus.

BUSINESS

The following table illustrates the amount of assets under our management over the years since our inception:

AUM from inception to July 2020



Note:

- (1) Our AUM increased by approximately US\$179 million from June 2018 to September 2018 primarily due to the commencement of Managed Account A and an investment by a new U.S.-based investor in True Partner Fund.

Operating data

The following table sets out certain operating data of our funds and managed accounts during the Track Record Period:

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
AUM at period end (<i>US\$ in million</i>)	635.0	1,138.0	737	1,373
Average AUM (<i>US\$ in million</i>) ⁽¹⁾	430.1	846.2	688	1,266
Net fee income margin (%) ⁽²⁾	3.0	0.6	0.14	0.48
Net performance fee margin (%) ⁽³⁾	2.58	0	0	0.35
Net management fee margin (%) ⁽⁴⁾	0.43	0.56	0.14	0.13

Notes:

- (1) Average AUM is the sum of the month-end AUM divided by the number of months in the given period.
- (2) Net fee income margin is the gross management and performance fee income less fee paid to capital introduction partners divided by the average AUM for the period indicated.
- (3) Net performance fee margin is the net performance fee divided by the average AUM for the period indicated.
- (4) Net management fee margin is the net management fee divided by the average AUM for the period indicated.

Performance of True Partner Fund and True Partner Volatility Fund

This section provides further details of the performance of the True Partner Fund, our flagship fund with the longest track record, as well as the True Partner Volatility Fund, our other fund launched in September 2016.

True Partner Fund

Key performance statistics

AUM as at 31 July 2020 (being the latest practicable date of this information)	US\$283.9 million
Annualised return from inception until 31 July 2020 (being the latest practicable date of this information):	+6.25%
Five largest monthly gains since inception:	August 2011: +8.74% June 2013: +8.15% August 2015: +7.79% February 2018: +21.44% March 2020: +10.10%

The following sets out explanations for the True Partner Fund's five largest monthly gains since inception:

- **August 2011:** The relative value volatility strategy in general tends to benefit from market turmoil, as in such environments dislocations between the different volatility markets might occur. In August 2011, global markets were in disarray following the escalation of the European debt crisis (in particular the collapse of Italian government bonds) as well as the downgrade of the United States' credit rating. During the month, this environment created multiple opportunities in the Asian markets. Among others, a temporary imbalance between the supply and demand for options in South Korea created an outlying value for volatility in South Korea compared to other Asian markets, which the fund was able to profitably trade around.
- **June 2013:** The market gyrations during June 2013 are mostly referred to as the "Taper Tatum". The root cause was the announcement made by the U.S. Federal Reserve to start tapering their quantitative easing, as well as a related liquidity crunch in China. The odd effect of the U.S. Federal Reserve's announcement of tapering was that most of the rhetoric events occurred in the U.S. with the imminent market doom reflected more in the expected movement (implied volatility) than in the actual day to day movements. However, most Asian markets were on the receiving end of the decreased market liquidity and for most of the month, it was these markets which showed the wildest gyrations, which were also in excess of the movement these markets priced in their options. Therefore, the True Partner Fund's positioning between short volatility in the U.S. (where expectations exceeded the actual movement) and long volatility in Asia (where the large movement was underpriced in the options) generated the positive performance for the fund.

- **August 2015:** The performance of the True Partner Fund in the month of August was dominated by one trading day, which was 24 August 2015 (commonly referred to as “**China’s Black Monday**”). While the fund entered the month of August with a small long volatility bias, the opportunities following market dislocations on this day provided most of the return. In the run up to 24 August 2015, the RMB had steadily devalued against other currencies. On China’s Black Monday, this initially triggered panic in Taiwan. Subsequently, markets in Hong Kong and South Korea joined the market disarray. However, the nadir of panic in Japan’s Nikkei index occurred upon the opening of European markets (likely as some European participants were wrongly positioned in the Nikkei). Only after gyrations in the European markets did the anxiety reach the U.S. markets in full at their market opening. Given that the different global markets reacted to the same event in an asynchronous manner where some markets reacted earlier than others and some markets overshot as compared to others, the fund was able to benefit from active trading in between the dislocations which popped up throughout the trading day.
- **February 2018:** The month of February started with an increase in movement across markets, following an extended period of market calmness. During that period of calmness, investors increasingly positioned to short volatility. One large vehicle through which investors could take a short volatility position was the XIV exchange traded note, which was designed to move inversely to the VIX Index (CBOE Volatility Index). However, the sudden increase in movement caused the value of XIV to implode. Subsequently, the demise of XIV caused an unorderly unwinding of several other trades in which investors positioned themselves through short volatility. It was this hasty unwinding of over-exposed funds (i.e. those which had accumulated large volatility short positions (or sold significant numbers of options) thus making them vulnerable to sudden market shocks) which involved these funds buying back the options they had sold in February 2018 and the subsequent days that created a sequence of sizeable volatility spread opportunities, which the fund was able to successfully capitalise upon.
- **March 2020:** Whereas similar to February 2020, the Covid-19 pandemic was front and centre in the world’s financial markets, investor focus shifted from outbreaks in individual countries to the economic repercussions of battling the virus. With increasingly restrictive lockdowns implemented across the world and the economic impact mounting, markets went into freefall. By mid-month, the financial system showed increasing signs of stress requiring elements of an unprecedented intervention by a number of central banks and governments across the globe. In an environment of elevated implied volatility and sharp movements, larger volatility spread trading opportunities tend to arise and they also tend to arise with higher frequency, and as such the funds of the Group were able to capitalise on such opportunities by successfully trading around multiple supply and demand imbalances. It is noteworthy that while the majority of returns were made in the most volatile week of the month, the fund also generated positive performance in the sharp market recovery in the following week.

BUSINESS

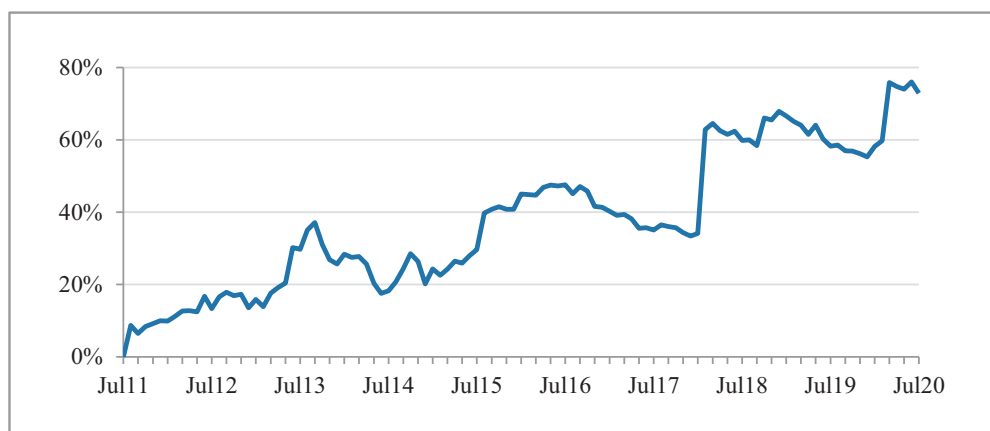
Net monthly returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year-to-date
2020	+1.84%	+1.02%	+10.10%	-0.64%	-0.40%	+1.13%	-1.76%	-	-	-	-	-	+11.36%
2019	-0.76%	-0.91%	-0.63%	-1.52%	+1.58%	-2.35%	-1.25%	+0.19%	-0.97%	-0.09%	-0.46%	-0.55%	-7.50%
2018	+0.52%	+21.44%	+1.02%	-1.21%	-0.62%	+0.53%	-1.54%	+0.10%	-1.00%	+4.79%	-0.31%	+1.42%	+25.82%
2017	-0.77%	-0.80%	+0.17%	-0.83%	-1.91%	+0.12%	-0.51%	+1.10%	-0.34%	-0.28%	-1.00%	-0.68%	-5.61%
2016	+3.00%	-0.12%	-0.11%	+1.50%	+0.42%	-0.15%	+0.25%	-1.71%	+1.40%	-0.86%	-2.90%	-0.20%	+0.38%
2015	+3.44%	-1.39%	+1.36%	+1.81%	-0.44%	+1.61%	+1.34%	+7.79%	+0.75%	+0.48%	-0.47%	-0.03%	+17.17%
2014	+2.16%	-0.68%	+0.17%	-1.59%	-4.26%	-2.31%	+0.61%	+2.09%	+3.05%	+3.30%	-1.67%	-4.92%	-4.36%
2013	+1.99%	-1.66%	+3.22%	+1.35%	+1.01%	+8.15%	-0.35%	+4.09%	+1.55%	-4.49%	-3.15%	-0.95%	+10.61%
2012	-0.04%	+1.11%	+1.35%	+0.11%	-0.29%	+3.80%	-2.89%	+2.88%	+1.09%	-0.83%	+0.33%	-3.16%	+3.28%
2011	-	-	-	-	-	-	-0.02%	+8.74%	-2.09%	+1.86%	+0.73%	+0.70%	+9.98%

Note:

- (1) The table represents returns of class B-1 shares of the True Partner Fund, and after the restructuring of the fund in August 2019, class B-1 shares of True Partner Offshore Fund, net of all fees which is generally representative of the overall performance of the fund (as the class B-1 series of shares has the longest track record of all classes and series of shares as it was established since the inception of the respective funds and its terms are ordinary and standard as compared to other class and series of shares). For reference, the AUM of class B-1 shares attributed to approximately 66% of the total AUM of the True Partner Fund as at 31 March 2020. In respect of the True Partner Fund, the net returns of class A-1 shares (established in August 2019 following the restructuring of the fund from a stand-alone fund into a master feeder structure) was -1.91%, +12.02% and -1.71% for the partial year ended 31 December 2019 and the three months ended 31 March 2020 and four months ended 31 July 2020, respectively. The net returns of class C-1 (which is a EUR hedged share class) was +21.93%, -10.02%, +13.18% and -1.90% for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020 and four months ended 31 July 2020, respectively. For reference, share classes are only different in terms of minimum subscription, currency denomination and fee structure.

Cumulative performance (in terms of NAV)



Risk and return metrics

The following table sets out risk and return metrics for the True Partner Fund, our flagship fund, since its inception in July 2011 until May 2020:

BUSINESS

	True Partner Fund	CBOE Eureka Relative Value Volatility Index	CBOE Eureka Long Volatility Index	CBOE Eureka Short Volatility Index	MSCI World Total Return Hedged USD
Annualised returns (%)	6.4	3.4	0.7	-0.1	9.4
Excess return over U.S. 1-month Treasury bill yield (%)	5.8	2.8	0.1	-0.7	8.8
Downside capture (%) ⁽¹⁾	-73	11	-57	65	100
Correlation to MSCI World Total Return Hedged USD ⁽²⁾	-0.42	0.42	-0.70	0.76	1.00

Notes:

- (1) Downside capture = average return of the fund/index when MSCI is down/average MSCI return when MSCI is down. It is calculated by taking the fund's monthly return during months when the benchmark had a negative return and dividing it by such MSCI return during the same months. If a fund generates positive returns while the MSCI declines, the fund's downside capture ratio will be negative (meaning it has moved in the opposite direction of the MSCI benchmark).
- (2) Correlation = a measure of the inter-relationship between the return of the fund/index and the MSCI World Total Return Hedged USD. Correlation normalises for differences in volatility.

The above risk and return metrics and graphs illustrate the following:

- (i) the CBOE Eureka Long Volatility Index ("**CBOE LV Index**") provides a broad measure of performance of underlying hedge fund managers of constituent funds who take a net **long** view on implied volatility with a goal of generating positive absolute returns. Such strategy involves the buying of options in return for positive asymmetric payoff when there is substantial volatility in equity markets, for example, in a dramatic market downturn. Investors in such funds are therefore seeking insurance-like protection against large market movements that might hurt their portfolios, and thus, pay a "risk premium" (or the cost of the option¹ buying in the strategy). Such "risk premium" can be reflected by the comparatively lower 0.7% return of the constituent funds of the CBOE LV Index during the period of the track record period of the True Partner Fund (i.e. since inception in July 2011 until May 2020 ("**TRP**")), but the downside capture of the constituent funds (i.e. average returns when the MSCI is down) was quite material at negative 57% (which means that on average the constituent funds generated positive return of 57 points when the MSCI generated negative returns and down 100 points).

By comparison, the True Partner Fund recorded downside capture of -73% during the TRP, which is stronger than that of constituent funds of the CBOE LV Index, but rather than having to pay a "risk premium" (as tends to be the case for most long volatility strategies, as reflected in the 0.7% annualised return of the CBOE LV Index), the fund generated annualised returns of 6.4% for its investors.

¹ Options generally lose value over time as each approaches expiry where there is no significant directional movement (sometimes referred to as "time decay").

- (ii) on the other hand, the CBOE Eureka hedge Short Volatility Index (“**CBOE SV Index**”) provides a broad measure of performance of underlying hedge fund managers of constituent funds who take a net **short** view on implied volatility with a goal of generating positive absolute returns. The strategy of such fund managers is to earn a “risk premium” (i.e. upfront payment) in return for selling options with a view that the relevant premium earned during periods of limited volatility should exceed potential losses that may be incurred for settling options during periods of higher volatility (i.e. betting against tail risks, i.e. infrequent but high impact high market movements), and thus, their return profile tends to show periods of stable positive returns, but these funds do not generally perform when the equities market is down, as reflected in the positive 65% downside capture (which means that on average the constituent funds generated negative return of negative 65 points when the MSCI generated negative returns and was down 100 points).

By comparison, the True Partner Fund outperformed on average the constituent funds of CBOE SV Index both in terms of annualised returns (6.4%) and downside capture (-73%).

- (iii) the CBOE Eureka hedge Relative Value Index (“**CBOE RV Index**”) provides a broad measure of performance of underlying hedge fund managers of constituent funds who employ different and/or multiple strategies within their fund products. Some commonly employed strategies include relative value strategies which engage in volatility arbitrage (be long volatility in some instruments but short volatility in other instruments which are typically relatively closely related) or equity dispersion strategies which aim to extract correlation risk premiums.

True Partner Fund belongs to this category of strategies, and it has outperformed the average performance of its peers both in terms of annualised returns (6.4%) and downside capture (-73%), which are higher than the annualised returns (3.4%) and downside capture (11%) of the CBOE RV Index.

- (iv) the MSCI World Total Return Hedged USD (an index to track global equity market performances), which is a close estimation of performance which may be achieved by hedging currency exposures of the MSCI World Index (which represents a broad cross-section of global equity markets, and therefore is not a volatility index) recorded annualised returns of 9.4%, which is higher than the annualised returns of the True Partner Fund of 6.4%. However, this should be viewed in the context of the substantial positive returns which the True Partner Fund was able to generate for investors during periods of market turmoil (as reflected by strong downside capture), which makes the True Partner Fund a strong diversifier of larger funds seeking asset protection of their overall portfolio. This is one of the key reason for the continued increase in AUM of the True Partner Fund.

Why we performed better when the MSCI was down than when it was up

The returns of our trading approach, as can be seen from the nearly nine-year track record of the True Partner Fund, our flagship fund, are uncorrelated or slightly negatively correlated to equity markets.

Typically, our strategy outperforms during periods of market turmoil, meaning higher volatility in the markets, as demonstrated by our track record. This most often coincides with significant down moves in the markets, but high volatility could also occur on the upside, for instance during the period of the Nasdaq bubble. Therefore, it is not the downwards moves in the markets themselves *per se* that matters, but the resulting higher levels of volatility that are often correlated with it.

One reason why we performed better when the MSCI was down than when it was up may be partly due to the fact that markets typically move more abruptly and dramatically downward than upward, as seen in 2008, during parts of 2018 and in the first quarter of 2020.

When equity markets move abruptly and dramatically downwards, different approaches to valuing options used by different market participants (including us) can lead to more diverse outcomes in estimated options prices, as there is greater scope for different processes to lead to different outcomes (i.e. different interpretations as to whether options are overpriced or undervalued).

When estimating volatility, it is common to look at historical measures of realised and implied volatility as inputs. When markets are relatively quiet, as can be the case during periods of sustained upward movement, different ways of measuring these may lead to similar results (i.e. more likely for market participants to view options as being fairly priced). When markets move abruptly, different approaches are likely to lead to more diverse estimates, and other inputs may also change more rapidly during volatile markets leading to different interpretations as to whether options are overpriced or undervalued (i.e. more opportunities).

Periods of abrupt change in markets can also lead some market participants to seek to quickly adjust their positioning to maintain desired risk exposures or to change risk exposures (e.g. an investor surprised by the abrupt change and seeking to adjust their positioning). This can lead to rapid changes in supply and demand for some options, leading to changes in option prices, and creating opportunities for other market participants.

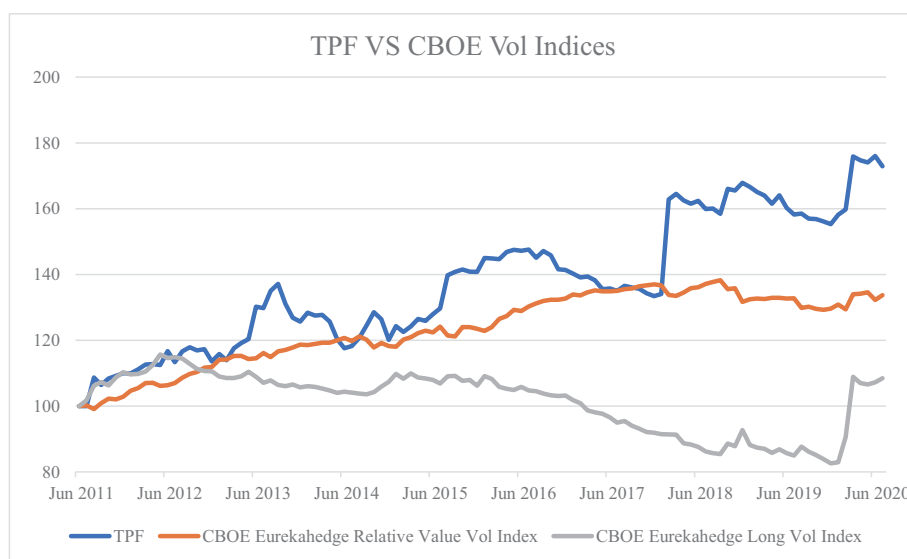
For the above reason, we (using analytical models and proprietary inputs) would likely perceive more opportunities (both in terms of number (more often for instances of short lived intraday opportunities to pop up) and in size as the discrepancies are typically larger with higher volatility) in more abrupt market turmoil, than sustained upward markets. Where we are able to capitalise on such opportunities, this would lead to positive performance for our funds and managed accounts, which may lead to performance fees being charged (where high watermarks in investments mandates are met) as well as increased level of management fee (as positive performance also increases the AUM of funds and managed accounts).

For such reasons, as can be seen from the nearly nine-year track record of our flagship True Partner Fund, the returns of our trading approach is slightly negatively correlated to the equity market as it benefits when the market moves abruptly and dramatically downwards. As explained above, in such periods, relative differences between the volatility level of different markets become more profound, resulting in more volatility market swings and more opportunities for our Group. Examples of such negative correlation can be seen where our trading strategy benefited from volatility market spikes in August 2011, June 2013, August 2015, February 2018 and in recent months due to the COVID-19 pandemic, generating positive returns of approximately 9.98% in 2011, 3.28% in 2012, 10.61% in 2013, 17.17% in 2015, 0.38% in 2016, 25.82% in 2018 and 13.3% in Q1 2020.

BUSINESS

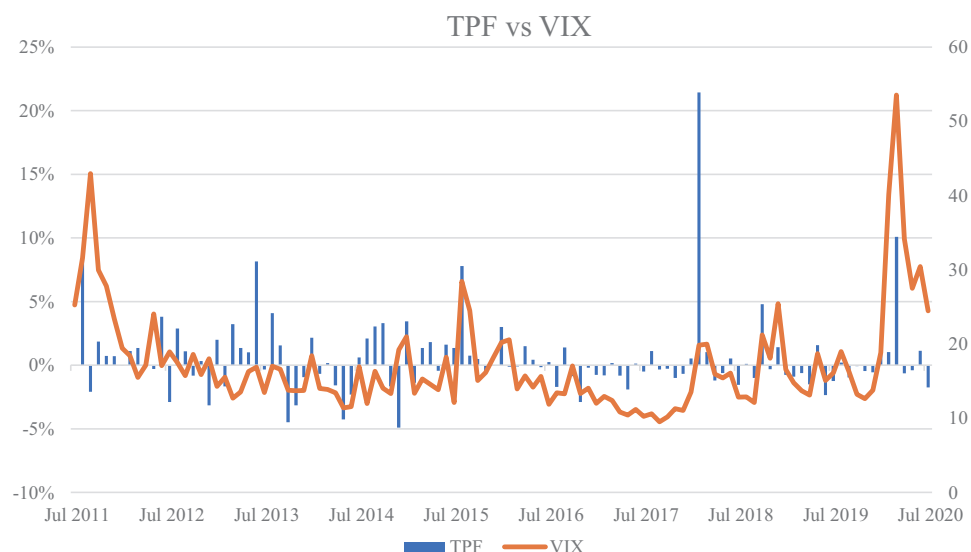
The strong performance of the True Partner Fund of our Group is attractive to investors both in terms of asset protection (i.e. as an “insurance” to hedge out or mitigate their long equity exposure at times of market volatility) as well as generating absolute returns. The attractiveness of our Group’s funds and managed accounts is evident from the strong growth in AUM of our Group, even during times of relatively low volatility.

The following graph illustrates the cumulative performance of the True Partner Fund since inception in July 2011 until 31 July 2020 in comparison with the CBOE Eurekahedge Relative Value Volatility Index (of which the True Partner Fund is a constituent) and the CBOE Eurekahedge Long Volatility Index:



BUSINESS

The following graph illustrates the performance of the True Partner Fund since inception in July 2011 until 31 July 2020 in comparison with month-end levels of the CBOE Volatility Index (also known as the VIX Index). The VIX Index is an index aimed at measuring constant, 30-day volatility of the U.S. stock market, based on real-time mid-quote prices of the S&P 500® Index call and put options.



The above graph illustrates that the True Partner Fund typically performs better in relatively more volatile environments as there are generally more trading opportunities. Most months in which positive returns of the True Partner Fund were higher coincide with higher levels of the VIX Index, with examples in August 2011, August 2015 and March 2020. As the above graph only shows end-of-month levels of the VIX Index, positive performance in February 2018 is not shown to be directly correlated to an increase in the VIX Index as such volatilities happened during the month rather than at month end.

True Partner Volatility Fund

Key performance statistics

AUM as at 31 July 2020 (being the latest practicable date of this information)	US\$201.6 million
Annualised return from inception until 31 July 2020 (being the latest practicable date of this information):	+2.23%
Five largest monthly gains since inception:	February 2018: +19.52% October 2018: +4.94% May 2019: +2.76% February 2020: +2.70% March 2020: +12.90%

BUSINESS

The following sets out explanations for the True Partner Volatility Fund's five largest monthly gains since inception:

- **February 2018:** For explanations on the performance of this month, please refer to the explanations for the True Partner Fund's five largest monthly gains since inception.
- **October 2018:** After a steady rise across the markets, concerns of investors, most notably their fears of rising interest rates, started to drag global markets down. As the pace of declines in markets picked up during the month, dislocations started to appear between global volatilities. The main driver of the fund's performance over the month was our long volatility position in one of the Asian indices, which exhibited much more aggressive movement as compared to the indices in which we were positioned for short volatility.
- **May 2019:** This month was characterised by volatility as a result of the breakdown of trade talks between China and the United States. Whereas this impacted market sentiment around the world, Hong Kong markets were particularly hit with initial movement in excess of what had occurred in most other markets. The main driver of the profit for the fund was the difference in the movement between Hong Kong and other markets, which persisted for several days and initially was not priced in the various options markets.
- **February 2020:** While at the start of this month there appeared to be a continuation of the steady march, which was the characteristic of a substantial period of 2019, the escalation of the situation of COVID-19 virus in China resulted in movement and the creation of subsequent spread opportunities in the greater China markets.
- **March 2020:** For explanations on the performance of this month, please refer to the explanations for the True Partner Fund's five largest monthly gains since inception.

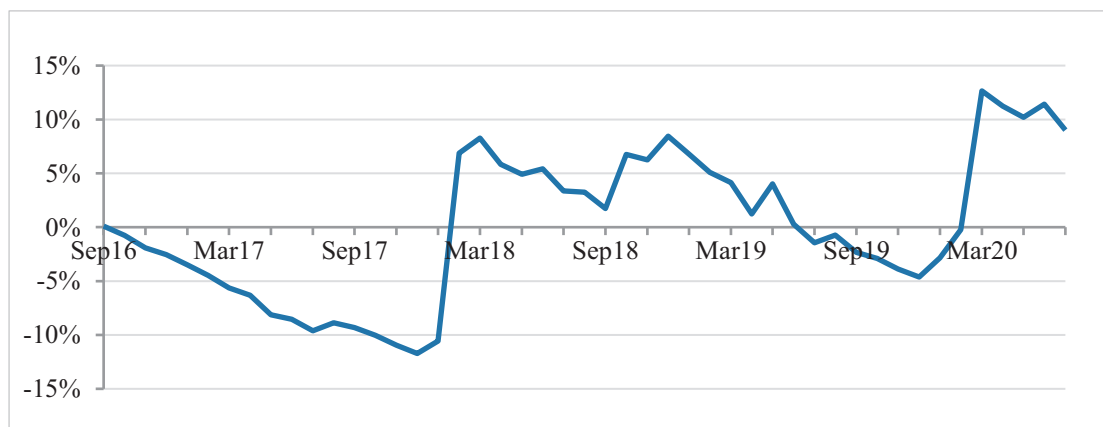
Net monthly returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year-to-date
2020	+1.87%	+2.70%	+12.90%	-1.25%	-0.93%	+1.10%	-2.16%	-	-	-	-	-	+14.30%
2019	-1.53%	-1.59%	-0.89%	-2.81%	+2.76%	-3.60%	-1.72%	+0.73%	-1.62%	-0.56%	-1.02%	-0.78%	-12.05%
2018	+1.30%	+19.52%	+1.31%	-2.25%	-0.89%	+0.50%	-1.96%	-0.12%	-1.47%	+4.94%	-0.47%	+2.07%	+22.84%
2017	-1.00%	-1.02%	-1.21%	-0.70%	-1.95%	-0.45%	-1.18%	+0.83%	-0.49%	-0.78%	-1.02%	-0.87%	-9.43%
2016	-	-	-	-	-	-	-	-	0.11%	-0.88%	-1.17%	-0.61%	-2.53%

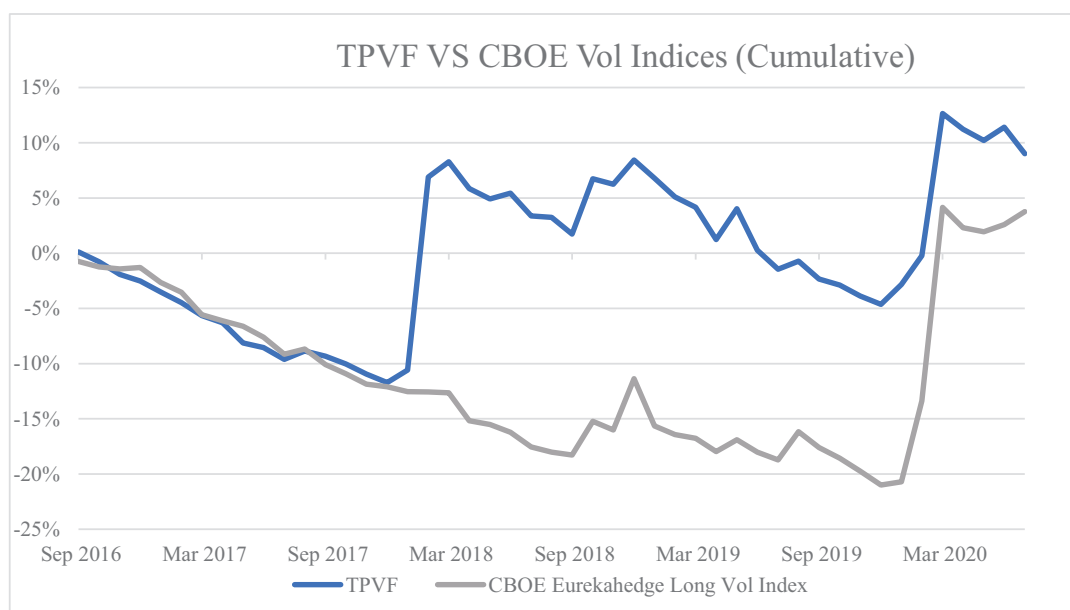
Note:

- (1) The table represents returns of class B-1 shares of the True Partner Volatility Fund, net of all fees which is generally representative of the overall performance of the fund (as the class B-1 series of shares has the longest track record of all classes and series of shares as it was established since the inception of the fund and its terms are ordinary and standard as compared to other class and series of shares). For reference, share classes are only different in terms of minimum subscription, currency denomination and fee structure.

Cumulative performance



The following graph illustrates the cumulative performance of the True Partner Volatility Fund since inception in September 2016 until 31 July 2020 in comparison with the CBOE Eurekahedge Long Volatility Index (of which the True Partner Volatility Fund is a constituent):



Since the True Partner Volatility Fund's inception in September 2016, our Directors are of the view that markets have been mostly challenging for a long volatility strategy: in steadily rising markets, volatility tends to be continually under pressure. This can be seen akin to the purchasing of insurance premium as the strategy protects against scenarios of declining markets. When such declines do not materialise, the insurance premium is foregone. However, our Directors consider that there have been periods of market turmoil notably in 2018 and in March 2020 which the True Partner Volatility Fund has been able to capitalise upon, generating significant positive performance. Since inception until July 2020, the True Partner Volatility Fund has gained approximately 9.0%. Over the same period, the benchmark CBOE Eurekahedge Long Volatility Index has gained 3.8%. Our Directors consider that the stark differential stems from the volatile periods in 2018. In this year, the True Partner Volatility Fund gained approximately 22.84% whilst the CBOE Eurekahedge Long Volatility Index gained less than 1%.

BUSINESS

Performance of managed accounts and co-branded funds

Managed Account A and Managed B adopt trading strategies close to *pari passu* to the True Partner Fund, and therefore the performance of these managed accounts is expected to be close to *pari passu* to the True Partner Fund. The following table sets out the performance data of Managed Account A and Managed Account B, which commenced in 2018 and 2019, respectively:

	Managed Account A ⁽¹⁾	Managed Account B ⁽²⁾
2018 return	+4.4	N/A
2019 return	-7.0	-3.6
2020 Q1 return	+13.7	+11.1
Track Record Period return ⁽³⁾	+10.4	+7.1
Track Record Period annualised return ⁽³⁾	+5.8	+6.1

Notes:

- (1) 2018 returns are for the partial year and returns are based on AUM which takes into account the effect of leverage. Throughout the Track Record Period, Managed Account A was leveraged at a ratio up to 1.65 as the investor wanted to increase exposure. As at 31 December 2018, the account was not leveraged, and as at 31 December 2019 and 31 March 2020, the account was leveraged at a ratio of 1.65. For more information on the leveraging of Managed Account A, please see the section headed “Business – Our funds under management – Assets under management under discretionary investment management mandates – Managed Account A” in this prospectus.
- (2) 2019 returns are for the partial year.
- (3) Track Record Period return and Track Record Period annualised return represent returns during Track Record Period based on the actual start date of the respective managed account, as the respective managed account did not exist throughout the entire Track Record Period.

For Managed account C (closed), its performance was +14% in 2018, 0% in 2019, and for Managed Account D (closed) its performance was +3% in 2018, 0% in 2019.

In terms of co-branded funds, for co-branded fund A (closed), its performance was +14% in 2018 and -2% in 2019.

BUSINESS

The following table sets out the performance data of IAM True Partner Volatility UCITS Fund:

Net monthly returns

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year-to-date
2020	+0.50%	+0.66%	+7.68%	-0.58%	-0.34%	+0.88%	-1.52%	-	-	-	-	-	+7.24%
2019	-	-	-	-	-	-	+0.22%	0.43%	-0.45%	-0.05%	-0.55%	-0.14%	-0.54%

Note:

- (1) The table represents returns of class I-1 US\$ shares IAM True Partner Volatility Fund, net of all fees which is generally representative of the overall performance of the fund. For reference, share classes are only different in terms of minimum subscription, currency denomination and fee structure.

OUR INVESTMENTS

The following table summarises the financial position of our Group's proprietary investments during the Track Record Period:

	As at 31 December 2018		As at 31 December 2019		As at 31 March 2020	
	HK\$ '000	% of total assets	HK\$ '000	% of total assets	HK\$ '000	% of total assets
Balance sheet						
Investment in an associate	-	-	-	-	-	-
Financial assets at fair value through profit or loss	8,025	5.7%	18,428	16.5%	20,820	15.8%
Financial assets at fair value through other comprehensive income	<u>4,797</u>	3.4%	<u>3,738</u>	3.4%	<u>2,557</u>	1.9%
Total	12,822	9.1%	22,166	19.9%	23,377	17.7%

True Partner Holding Limited holds a 2.73% equity interest in CSC Futures. We acquired a 5% interest in CSC Futures from Capital Futures Corp. in March 2014 as part of our co-operation plan between our Group and the Capital Group. In December 2016, our interest was diluted to 2.73% due to an allotment to Capital Futures Corp. from an increase in share capital. The principal business activities of CSC Futures are futures and options broking, and proprietary trading. The company is licensed to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO, and is a corporate participant of the Hong Kong Futures Exchange Limited. As at 31 December 2018 and 2019 and 31 March 2020, the value of investment was approximately HK\$4.8 million, HK\$3.7 million and HK\$2.6 million, respectively, and had been included under “financial assets at fair value through other comprehensive income” in the consolidated statement of financial position. For information on the investment, please see the section headed “Financial information – Discussion of selected balance sheet items – Investments” in this prospectus, and for information on our relationship with CSC Futures, please see the section headed “Relationship with the Capital Group” in this prospectus.

BUSINESS

Further, our subsidiary True Partner China Holding Limited holds 49% equity interests in Capital True Partner Technology Co. Ltd. (“CTPT”), a software development and technology company that is based in Chengdu, Sichuan, the PRC. In 2012, we acquired 100% of CTPT from All Options (in which most of our senior management members worked together in and therefore were familiar with the staff and technology at CTPT prior to the acquisition). In January 2015, we sold 51% of CTPT to Capital International Technology Corp., (which is 100% owned by Capital Futures Corp) as we decided to focus on our investment management activities. As at year ended 31 December 2018 and 2019 and the three months ended 31 March 2020, the cost of investment had been fully impaired. For more information on this investment, please see note 16 of the Accountants’ Report set out in Appendix IA to this prospectus.

On 31 December 2019, a PRC subsidiary of our Company, Chengdu HuLi Management Consulting Limited (“CHMC”), and Nanhua Futures Co. Ltd (南華期貨股份有限公司, “Nanhua Futures”) each entered into a capital increase framework agreement which took effect on 1 January 2020, in connection with the acquisition by each of them of 30% equity interests in Holland & Muh Investment Management Co., Ltd. (浙江紅藍牧投資管理有限公司, “Holland & Muh”) (the “Investment”) by way of capital injection of RMB3.0 million in Holland & Muh. Holland & Muh is a PRC company licensed with the Asset Management Association of China (“AMAC”) as a privately-raised securities funds manager since 20 May 2014 and is an Independent Third Party to the Group. Following our acquisition, Holland & Muh intends to initially act as an adviser to fund management companies and, at a later stage, be involved in structuring new asset management products for specific clients. We consider that our 30% investment in Holland & Muh will provide us with the opportunity to understand and explore the PRC financial services and fund management market. The other 70% interests in Holland & Muh are held by subsidiaries of PRC conglomerate Hengdian Group Holdings Co. Ltd., including Nanhua Futures, the first futures commission merchant listed on the Shanghai Stock Exchange (stock code: 603093). Nanhua Futures is one of the first general clearing members of the China Financial Futures Exchange, is a member of the Shanghai Futures Exchange, Zhengzhou Commodity Exchange and Dalian Commodity Exchange, is a stock options trading participant of the Shanghai Stock Exchange, and is granted with the trading rights for stock options brokerage business. The consideration paid by CHMC was RMB3.0 million. The consideration was based on the proportion of the shareholding ratio of and contribution to the registered capital made by CHMC to Holland & Muh, and was negotiated on an arm’s-length basis. The total cost of investment had been fully settled by the Group in May 2020, following which Holland & Muh became an associate of our Company.

In order to demonstrate alignment of interests between our funds’ investors and our Group/senior management (which is common for fund managers as such co-investing is encouraged to demonstrate to investors that they have sufficient aligned interests to produce positive returns), we had also invested into our funds through our wholly-owned subsidiary True Partner Advisor Limited. True Partner Advisor Limited invested US\$1 million in the True Partner Fund in May 2018 and US\$1.5 million in the True Partner Fund in March 2019. The value of our Group’s investment in the True Partner Fund was US\$2.6 million, or 0.2% of our Group’s AUM, as at 31 March 2020. Further, our executive Director and co-chief investment officer Tobias Benjamin Hekster has personally invested in the True Partner Volatility Fund. The value of his investment represented US\$0.4 million or 0.03% of our Group’s AUM as at 31 March 2020. The reason why we and our senior management team members did not inject seed capital into our own funds at an earlier stage of our corporate development was because our Company initially focused on investing money to establish our own infrastructure, both people and technology, in offices in Hong Kong and Chicago with a view to establishing our brand and track record. As at 31 December 2018 and 2019 and 31 March 2020, the value of investment was approximately HK\$8.0 million, HK\$18.4 million

BUSINESS

and HK\$20.8 million, respectively, and such amount had been included under “financial assets at fair value through profit or loss” in the consolidated statement of financial position. For further details, please see the section headed “Financial information – Discussion of selected balance sheet items – Investments” in this prospectus.

Impact of our Group’s investments

Our Group’s investment in the True Partner Fund, as represented by financial assets at fair value through profit or loss in the consolidated statements of financial position, increased from approximately HK\$8.0 million as at 31 December 2018 to approximately HK\$18.4 million as at 31 December 2019, primarily attributable to additional investment in the True Partner Fund in March 2019, and slightly increased to HK\$20.8 million as at 31 March 2020, primarily due to the increase in NAV as a result of positive fund performance. Our Group did not invest in any of the co-branded funds or managed accounts under our management during the Track Record Period.

The following table summarises the financial impact of our Group’s investments into our own funds:

	Year ended 31 December 2018		Year ended 31 December 2019		Three months ended 31 March 2019		Three months ended 31 March 2020	
	HK\$ '000	% of revenue/ net profit	HK\$'000	% of revenue/ net loss	HK\$'000	% of revenue/ net loss	HK\$'000	% of revenue/ net profit
Proprietary investments								
Revenue	160	0.16%	320	1.55%	40	0.46%	389	0.78%
Fair value changes on financial assets through profit or loss	275	0.28%	(1,222)	-5.90%	(183)	-2.09%	2,392	4.82%
Net profit/(loss) before tax attributable to proprietary investments in funds of our Group	435	0.44%	(902)	4.35%	(143)	4.07%	2,781	17.26%

The fair value loss in 2019 was mainly attributable to a reduction in NAV of the True Partner Fund in 2019 compared to 2018 due to comparatively weaker fund performance in 2019 which resulted from relatively lower volatility in the equity markets. The fair value gain of approximately HK\$2.4 million for the three months ended 31 March 2020 was mainly due to the increase in NAV as a result of positive fund performance.

Our Group’s investment in CTPT did not have any significant impact on our business, financial position and financial performance during the Track Record Period as the cost of the investments had been fully impaired (i) due to our Group’s share of losses of the company in previous years; and (ii) as the recoverable amount of the investment in CTPT as measured by the fair value of net assets was less than the cost.

Our Group’s investment in CSC Futures is classified as financial assets at fair value through other comprehensive income in the consolidated statements of financial position which decreased from HK\$4.8 million as at 31 December 2018 to approximately HK\$3.7 million as at 31 December 2019, representing a decrease (or fair value loss on financial assets in 2019) of approximately HK\$1.1 million, or 22.9% of

BUSINESS

fair value from the year before. Such decrease in fair value (based on business valuation conducted by a third-party appraisal firm) was mainly attributable to a decrease in NAV of CSC Futures as well as a reduction in price-to-book multiples of comparable companies used in the valuation. Our Group's financial assets at fair value through other comprehensive income position further decreased to approximately HK\$2.6 million as at 31 March 2020, representing a decrease (or fair value loss on financial assets in the first three months of 2020) of approximately HK\$1.2 million, attributable to the same reason discussed above.

Our policies in respect of proprietary investments

(A) Policies in relation to proprietary investments into our own funds and managed accounts

We may invest in our own funds or managed accounts from time to time (with terms which are generally disclosed in the relevant offering document or managed account mandate) and the amount that may be invested is subject to a maximum investment limit of 1% of the total AUM of our Group, subject to review by the Board from time to time.

Proprietary investments may be made by our Group into our funds or managed accounts for various strategic reasons including but not limited to:

- (i) expressing our Group's alignment of interests with those of existing or prospective investors in the fund or managed account; and
- (ii) facilitation of establishing of the fund or managed account by providing early investor or seed capital.

Any investment by our Group into our own funds or managed accounts would be reviewed by the Board on a case-by-case basis, with consideration given to various factors including, *inter alia*:

- (i) in respect of investments into existing funds, investors' expectations on proprietary investments by our Group to demonstrate alignment of interests. In particular, the amount of investment should have reference to:
 - (a) common practice in the industry as well as dialogue with existing and potential investors. In particular, to the extent possible, reference should be made to the amount of proprietary investments made by peer or other fund managers into their own funds; and
 - (b) the amount of existing proprietary investments already made by our Group and/or our senior management members or affiliates in the relevant fund vis-à-vis other funds launched by us;
- (ii) in respect of investments into new funds to be launched:
 - (a) the expected asset size required to attract prospective investors in respect of the relevant investment product. To the extent possible, reference should be made to common practice in the industry as well as direct engagement and dialogue with prospective

BUSINESS

investors as to, *inter alia*, minimum investment amounts and concentration criteria of target prospective investors or which are typically adopted by prospective investors in respect of similar fund products; and

- (b) the costs associated to raising seed capital from potential hedge fund investors should these investment not be made;
- (iii) other capital commitments of our Group at the relevant time, and the expected costs (including opportunity costs) and benefits (including expected income stream) of proposed proprietary investments vis-à-vis alternative capital commitments; and
- (iv) other relevant information and factors that may be relevant for the Board's consideration based on prevailing circumstances.

Proposals for proprietary investments with detailed consideration of the above factors should be initiated by one or more executive Directors, where applicable with input from other company staff, and presented with all relevant supporting documentation for the Board's approval. One of our executive Directors shall report the status and performance of our proprietary investments into our own funds and/or managed accounts to the Board on a periodical basis. Any proposals for redemptions and withdrawal of investment (for the purpose of transfer of proprietary investments into other funds or otherwise) should be detailed for the Board's approval. For the avoidance of doubt, any interested Directors (including any Directors who are involved in the direct management of relevant funds or managed accounts) must abstain from voting in respect of any resolutions in connection with any proposed investments and/or redemption of investments, and the relevant resolutions must be approved by disinterested Board members who are eligible to vote (including the independent non-executive Directors) acting in the best interests of Shareholders of the Company as a whole.

As a matter of policy, proprietary investments of our Group, its employees and/or affiliates in our funds or managed accounts shall be treated the same way as that may be Independent Third Parties and no preferential treatment is offered. Further, the risk of conflicts (in terms of trade allocations which may be appropriate for more than one fund or managed account where certain of such fund or managed account is invested by our Group) is mitigated by various factors including, without limitation (i) the fact that our Group trades as a team in respect of funds and managed accounts under management (meaning that a portfolio manager does not have an individual book); (ii) the use of the order allocator tool in our proprietary platform to split a large number of trade orders limits the risk of preference being given through manual allocations; and (iii) the fact that, as a matter of general policy, no consideration would be given to the fact that certain funds or managed accounts may be invested by our Group, its employees and/or affiliates in any trade allocations

(B) Policies in relation to proprietary equity investments

We may make equity investments in unlisted companies from time to time and such investments are primarily strategic in nature with a view of supporting business growth and the underlying business objective of our Group (to become a prominent player in the industry that specialises in global volatility relative value trading strategy) rather than for treasury management, speculative or yield enhancement purposes. For example, our Group's investment in Holland & Muh is not intended for the primary purpose of generating returns or value appreciation for our Group, but is expected to be beneficial to our

BUSINESS

Group as it provides the Group with the opportunity to understand and explore the PRC financial services and fund management market, which will facilitate our Group in conducting onshore asset management activities in Mainland China in the future.

For the purpose of such potential investments, the Board has authorised the executive Directors to, without limitation:

- (i) identify investment opportunities, review investment proposals and make investment decisions;
- (ii) periodically review existing investment portfolio (at least on a quarterly basis); and
- (iii) where applicable, devise and implement investment guidelines and strategies, as appropriate, for approval of the Board.

For the purpose of each prospective investment, the Board shall, inter alia:

- (i) prior to proceeding with a non-binding commitment towards investment, preliminarily discuss the strategic value of the proposed investment and potential risk exposures to our Group;
- (ii) where applicable, delegate responsibilities to suitably qualified personnel for the purpose of carrying out appropriate business and operational as well as legal, tax and financial due diligence on the proposed investment opportunity (with the assistance of independent external advisers, as necessary);
- (iii) where applicable, review the engagement of requisite professionals to be engaged for the purpose of assisting with negotiations and due diligence;
- (iv) where applicable, prior to proceeding with entering the relevant investment agreement, (a) review results of due diligence and evaluate potential risks, liabilities and obligations to our Group; and (b) review the investment agreement to ensure adequacy of provisions for the protection of our proposed investment; and
- (v) prior to entering into the relevant investment agreement, present details of the proposed investment for the Board's approval.

Where adjustment to the investment portfolio is necessary (e.g. where certain investment should be increased, further financed and/or disposed of), the executive Directors shall detail proposals for the Board's approval. For the avoidance of doubt, any interested Directors must abstain from voting in respect of any resolutions in connection with any proposed investments or adjustments thereof, and the relevant resolutions must be subject to approval by disinterested Board members who are eligible to vote (including the independent non-executive Directors) acting in the best interests of Shareholders of the Company as a whole.

For the purpose of protecting the interests of our Group as well as monitoring the status of equity investments made by our Group, we may engage external advisers to assist and advise on the relevant investments as appropriate or desirable from time to time, and where appropriate designate qualified staff to sit on the board of directors of investee entities.

BUSINESS

In respect of the any proprietary investments of our Group, following the Listing, the Company shall also comply with the requirements of the Listing Rules (including, where necessary, the obtaining of independent Shareholders' approval) in accordance with transaction categorisation pursuant to size tests using percentage ratios as prescribed in the Listing Rules.

Industry practice for proprietary investments by fund managers in their own funds

According to the Industry Expert, it is common for hedge fund managers to have a significant share of their personal wealth and/or income exposed to the performance of their funds, though this is not always the case. The purpose of such proprietary investments is to illustrate their commitment to the strategy and their alignment with the risk taken by the fund's investors. In the Group's case, the key senior management team members of our Group are major shareholders in our Group, and our Group's income is in large part driven by performance fees. This aligns interests with both fund investors and other shareholders. Investing a proportion of our Group's net proceeds from the Listing into our own funds would appear to further align interests with fund investors, which is likely to be perceived positively by current and prospective fund investors.

SALES AND MARKETING

Our sales and marketing activities mainly involve: (i) direct engagement of prospective investors by our senior management team; (ii) engagement of capital introduction partners for the sourcing of, and marketing and promotion of our Group, to potential investors; (iii) attendance at conferences; and (iv) providing corporate sponsorships.

Direct engagement of prospective investors

Currently, direct engagements with prospective investors are mainly carried out by members of our senior management team. Such engagements include, without limitation, attending conference calls and meetings with prospective investors to market our trading strategy and philosophy as well as providing explanations of our trading and execution capabilities. In the future, we expect to increase our expenditures on carrying out marketing to increase awareness of our trading strategy through the hiring of sales and investor relations staff who will be trained internally. For further details, please refer to the section headed "Future plans and use of proceeds" of this prospectus.

Presence on investment management and other platforms

Our funds have been included in various investor management platforms of existing clients as well as independent advisory firms that provide operational due diligence services to hedge funds' investors and this enables us to gain access to a wide range prospective clients and investors (including family offices, financial intermediaries, institutions, pensions and endowments). Being listed on such platforms expedites the allocation of assets of prospective investors as they trust the intensive operational due diligence of the relevant platform providers (rather than relying solely on their own operational due diligence). Further, we consider such exposure as a form of indirect marketing.

BUSINESS

Engagement of capital introduction partners

We engage capital introduction partners to assist us in sourcing investors for our funds. These capital introduction partners would, without limitation, assist us in:

- (i) identifying, screening and assessing the eligibility as well as interest of potential investors;
- (ii) marketing our fund management services through, without limitation:
 - (a) undertaking initial introduction and education for eligible and interested potential investors;
 - (b) working closely with us to maximize the effectiveness of our sales pitch and marketing materials; and
 - (c) providing us with background information on interested potential investors to assist us in preparing for initial introductory conference calls or meetings;
- (iii) arranging introductory conference calls and meetings;
- (iv) carrying out ongoing liaison work and providing assistance over the investor due diligence and on-boarding process, including assisting in liaising in terms of provision of responses to investor enquiries and due diligence requests;
- (v) providing us with ongoing feedback from prospective investors; and
- (vi) providing other general advice to us from a sales and marketing perspective.

The investor sourcing and on-boarding process is generally a lengthy process and involves, without limitation, carrying out verification of investor eligibility; conducting AML and CFT procedures; engaging prospective investors through introductory meetings, responding to enquiries (including through attendance at multiple investor due diligence meetings as well as responding to operational due diligence enquiries).

The capital introduction partners engaged by us are typically remunerated by payment of fees which are calculated as a portion of management fees and/or performance fees (of up to 35% of management fees and/or up to 25% of performance fees, and subject to a cap in some cases and subject to an agreed maximum period of time in some cases) arising from investments from designated investors which resulted from the services provided. The amount of fees paid to such capital introduction partners amounted to 15.8%, 18.9% and 13.4% of our gross management fee in 2018 and 2019 and the three months ended 31 March 2020, respectively, and 8.9% and 2.5% of our gross performance fee in 2018 and the three months ended 31 March 2020, respectively. We are also responsible for reimbursing these capital introduction partners for reasonable marketing, travel and other out-of-pocket expenses incurred in the performance of their services.

BUSINESS

Typical terms of agreements with capital introduction partners

Typically, under the relevant agreements with capital introduction partners:

- (i) the capital introduction partners are typically required to, *inter alia*, use best or reasonable efforts to introduce prospective professional investors to us;
- (ii) their engagements in terms of sales and marketing are generally not exclusive (i.e. we are not bound to engage them) other than, in some instances, in respect of certain potential investors prescribed in the agreements;
- (iii) we are generally responsible for providing relevant non-proprietary information and/or documentation to, and concluding business terms with, prospective investors as well as conducting requisite due diligence and professional investor verification, with the assistance of the capital introduction partners as necessary;
- (iv) we are generally responsible for providing the capital introduction partners with information regarding the investments made by introduced prospective investors and commissions payable in relation thereof;
- (v) the capital introduction partners are responsible for ensuring that their sales and marketing activities are carried out in accordance with applicable laws and terms and conditions of any offering documents; and
- (vi) standard warranties and indemnity provisions may be included, including in respect of potential losses and damages which may arise from wilful default, bad faith, gross negligence and/or breach of agreement.

Our Group's policy in relation to the engagement of capital introduction partners during the Track Record Period

Our Directors consider that the use of capital introduction partners is of strategic importance and therefore the approval of engagement of a potential capital introduction partner lies directly with the Board. Our Board will consider, *inter alia*, the following criteria when selecting capital introduction partners:

- (i) their track record of raising capital, including the amount and reputation of the funds which are currently represented by the capital introduction partner;
- (ii) the strategies which the capital introduction partner cover (i.e. their level of sophistication and possible conflicts with the strategies of our Group);
- (iii) geographic segment and/or client type which the capital introduction partner specialises in and whether they are consistent with target investors of relevant funds of our Group;
- (iv) the fees that are proposed to be charged;
- (v) any other material proposed terms of engagement, including exclusivity; and

BUSINESS

- (vi) their record of complying with the relevant laws and regulations, and the regulatory licenses that they hold.

Prior to engaging a capital introduction partner, due diligence must be conducted which shall include, *inter alia*:

- (i) carrying out relevant searches and conducting reviews of regulatory status (including validity and adequacy of existing licenses); and
- (ii) carrying out reference checks with current or prior capital introduction clients.

The chief compliance officer of our Group must be satisfied that the relevant potential capital introduction partner is fit and proper to perform its function prior to engagement. Further, contracts with capital introduction partners must include standard provisions concerning confidentiality and representations and warranties regarding compliance with applicable laws and regulations. Once a capital introduction partner has been engaged, our Group applies the following engagement procedures:

- (i) discussion and agreement with the capital introduction partner of a coverage list of targeted investors whom the capital introduction partners would interact with on behalf of our Group;
- (ii) the capital introduction partner would seek pre-approval from an executive Director for any addition of target investors to the coverage list. Before approval is given to the capital introduction partner, the executive director needs to have approval from the compliance department;
- (iii) interaction with and status of targeted investors on the coverage list will be periodically evaluated by at least one executive Director and the compliance department. Where a capital introduction partner fails to perform adequately, or breaches any provision of the contract or any laws or regulations, the engagement may be terminated; and
- (iv) the capital introduction partner is required to provide undertakings that they be transparent to the investors being introduced with regards to fees being paid for the capital introduction services.

BUSINESS

Profile of capital introduction partners engaged over the Track Record Period

The capital introduction partners engaged by us are entities who are licensed or registered with local securities authorities for the conducting of relevant marketing services who constitutes regulated activities, and they operate in jurisdictions including Hong Kong, the United Kingdom, the U.S. and the Netherlands. As at 31 December 2018 and 2019 and 31 March 2020 respectively, we engaged 6, 5 and 5 capital introduction partners to provide services to our Group. The table below summarises details of capital introduction partners engaged by us over the Track Record Period:

Name	Background	Amount of our Group's revenue attributable to investors introduced			Percentage of our Group's revenue attributable to investors introduced		
		FY2018	FY2019	Q1 2020	FY2018	FY2019	Q1 2020
		HK\$ ('000)	HK\$ ('000)	HK\$ ('000)	(%)	(%)	(%)
Capital introduction partner A	Dutch investment management firm based in Utrecht, the Netherlands that provides investment solutions to professional and institutional investors as well as high net worth individuals particularly with regard to selection of investment funds.	6,723	3,400	3,538	5.99	7.80	7.13
Capital introduction partner B (Service Provider E)	Capital introduction partner A subcontracted its capital introduction obligation to capital introduction partner B in 2015. Capital introduction partner B is a firm based in Kuala Lumpur, Malaysia which is primarily engaged in introducing investors to suitable risk-appropriate investments. The firm represents a wide range of hedge fund managers comprising various strategies and disciplines to provide capital introductions across equities, fixed income, commodities, currencies, futures and options to its investor base. Its investors include pension funds, institutions, sovereign wealth funds, family offices and high net-worth individuals across the globe.						

BUSINESS

Name	Background	Amount of our Group's revenue attributable to investors introduced			Percentage of our Group's revenue attributable to investors introduced		
		FY2018	FY2019	Q1 2020	FY2018	FY2019	Q1 2020
		HK\$ ('000)	HK\$ ('000)	HK\$ ('000)	(%)	(%)	(%)
Capital introduction partner C (Service Provider G)	Capital introduction partner C operates as a broker dealer, and offers investment brokerage and advisory services with a focus on raising capital for hedge funds, niche private equity debt funds and direct private equity investments placements. The company is a registered broker-dealer and commodity trading advisor and has assisted its clients in raising funds in the amount of approximately US\$7 billion to date.	(Note)	2,366	12,321	(Note)	5.43	24.84
Capital introduction partner D (Service Provider A)	Established in 2012, capital introduction partner D provides independent alternative asset managers and companies with fundraising services via access to qualified professional investor groups. It operates through two offices, namely a corporation in Hong Kong licensed by the SFC to carry out type 1 (dealing in securities) regulated activity and a corporation which acts as an appointed representative of a firm authorised and regulated by the Financial Conduct Authority of the UK.	65,236	19,344	16,839	58.08	44.38	33.95
Capital introduction partner E (Service Provider C)	Capital introduction partner E is a UK private company whose clientele are based in Europe and the U.S.. The company has teamed up with capital introduction partner F to provide regulatory, legal, compliance, accounting and operational support to its affiliates, which allowed them to focus on their capital raising activities.	13,382	1,347	846	11.91	3.09	1.71

BUSINESS

Name	Background	Amount of our Group's revenue attributable to investors introduced			Percentage of our Group's revenue attributable to investors introduced		
		FY2018	FY2019	Q1 2020	FY2018	FY2019	Q1 2020
		HK\$ ('000)	HK\$ ('000)	HK\$ ('000)	(%)	(%)	(%)
Capital introduction partner F	Operating in the U.S., capital introduction partner F provides financial brokerage services and specialises in dealing in securities such as stocks, bonds, and mutual funds. It is also a strategic marketing and capital raising firm that assists its clients to raise capital for alternative investment strategies and private placements. The company is registered with the SEC and the CFTC, and is a member of the Financial Industry Regulatory Authority and the NFA.	0	0	0	0	0	0
Total:		85,341	26,457	33,544	75.98	60.70	67.63

Note: Capital introduction partner C worked together with one of the partners of capital introduction partner D who acted as an authorised representative for capital introduction partner C, revenue contributed by investors of these entities have been consolidated in the total amount.

Materiality of revenue generated from investors introduced by capital introduction partners

As at 31 March 2020, approximately 84.6% of the AUM under our management were invested by investors sourced from and/or involving the services of our capital introduction partners. Our Directors believe that such proportion is expected to be reduced in the future as our Group continues to develop our reputation as a fund manager specialised in global volatility relative value strategies, and our transparency, accountability, profile and corporate governance is expected to be enhanced by the Listing. Further, our Group intends to use part of the proceeds from the Share Offer for the hiring of internally trained and qualified staff to carry out more direct engagement, marketing and liaison work with prospective investors. For further details, please refer to the section headed “Future plans and use of proceeds” of this prospectus.

Amount of fees paid to capital introduction partners over the Track Record Period

Over the years, the above capital introduction partners have successfully introduced institutional and other investors to us who are based in Europe and the United States, including some of our key investors. During the Track Record Period, total fees paid to these capital introduction partners amounted to approximately HK\$11.7 million and HK\$6.9 million for the years ended 31 December 2018 and 31 December 2019, respectively, and approximately HK\$1.4 million and HK\$2.8 million for the three months ended 31 March 2019 and 2020, respectively.

BUSINESS

Industry practice for a fund management company to engage capital introduction partners

According to the Industry Report, it is a common practice for fund management companies to use capital introduction partners for sourcing investors. This can be done via capital introduction teams that are part of investment banks' prime brokerage departments or through third party marketers. Capital introduction teams would typically proactively discuss funds with investors and organise invitation-only conferences where funds can meet and engage with investors, with the ultimate role of raising capital for their clients. This is considered an efficient process as it allows investors to obtain information on multiple funds from a small number of sources and provides hedge fund managers with broader reach to prospective investors. Third party marketers on the other hand would typically proactively market specific funds and will typically be experienced industry professionals with senior contacts at potential investors. As funds grow their marketing footprint and internal marketing resources, third party marketing services typically become less important as a source of new investors, but business models vary.

Conferences

We participate in industry conferences around the world attended by both investors and other hedge fund managers so as to increase awareness and educate potential investors and others about our volatility trading strategy, enhance our reputation in the market and develop our industry knowledge. At these conferences, members of our senior management may deliver presentations or participate in panel discussions. Conferences that we attended over the Track Record Period included the Annual Global Volatility Summit (both in New York and Tokyo editions), the Amsterdam Investor Forum, the Kepler Macro & Volatility Conference in London, and the Context Summits in Miami, U.S.. In jurisdictions where we are permitted to market our offerings, we also attend capital introduction conferences held by our prime brokers or event organisers. Many interactions at these conferences have been conducive to the development of relationships with potential investors and have provided important updates to existing investors. In light of the global coronavirus pandemic, during Q1 2020, we participated in video conferences with potential investors, as further detailed in the section headed "Summary – Impact of the COVID-19 pandemic on our business" in this prospectus.

Corporate sponsorships

From time to time, we provide corporate sponsorship in order to promote our Group and create a positive relationship with the Hong Kong community. In July 2019, we entered to a sponsorship funding agreement with a Hong Kong youth rugby club for a two year period.

In addition to the above sales and marketing activities, from time to time we receive unsolicited enquiries from prospective investors. We will assess the eligibility and suitability of potential investments by these investors into our funds by sending questionnaires prior to providing information and further engagements with these prospective investors.

Jurisdictions in which we are permitted to market our services

As of the Latest Practicable Date, we are allowed to market our fund management services in the United Kingdom (in respect of non-EEA alternative investment funds), the Netherlands (in respect of non-EU alternative investment funds), Switzerland (in respect of the True Partner Offshore Fund and the

BUSINESS

True Partner Volatility Fund, through our appointment of a Swiss representative and a payment agent), Hong Kong (in respect of professional investors) and the United States (in respect of qualified eligible persons under the Commodity Exchange Act). We are also allowed to participate in the marketing of co-branded fund A through our HK Sub-Manager and U.S. Sub-Manager which have been cleared with the Central Bank of Ireland to manage UCITS.

We have notified the Monetary Authority of Singapore to be allowed to market the True Partner Volatility Fund in Singapore.

Investor due diligence

We conduct, and have engaged the services of third-party administrators, including Maples Fund Services (Cayman) Limited, Maples Fund Services (Asia) Limited and an Irish-based subsidiary of a global investment bank, to assist us with conducting checks on potential investors and/or performing regular reassessment of the status of our existing investors for the purpose of ensuring compliance with statutory requirements (regarding, without limitation, the suitability of our funds for prospective investors, reviewing the identity and source of funding for compliance with AML requirements) under applicable laws and regulations in jurisdictions in which we operate. We consider that the conducting of adequate investor due diligence, including reviewing their risk tolerance, financial qualifications and suitability, is pertinent to our continued operation in a compliant manner. For further details of our investor due diligence procedures, please refer to the section headed “Business – Risk management and internal control – Internal control” in this prospectus.

CONSULTANCY SERVICES

To complement our fund management business, from time to time we may provide consultancy services.

During the years ended 31 December 2018 and 2019, revenue generated from our consultancy services amounted to HK\$45.9 million and HK\$0.9 million, respectively, representing approximately 29.0% and 2.0% of our revenue for the same periods, respectively. During the three months ended 31 March 2019 and 2020, we did not generate or receive any consultancy services fee income.

Our largest customer of consultancy services over the Track Record Period was Capital Futures Corp., a company listed on the Taiwan Stock Exchange. Pursuant to an agreement dated 1 July 2015, we provided Capital Futures Corp. with consultancy services in relation to trading analysis, market research and derivatives related information technology. Under the agreement, Capital Futures Corp. agreed to pay True Partner Consulting Limited a basic consulting fee of US\$80,000 for 80 hours of consulting services each quarter, and US\$900 per hour for services that exceed the 80 hours, and agreed to pay T8 Software Consulting Limited a consulting fee of US\$1,000 per hour. Such consultancy services were not renewed following the completion of our services on 31 December 2018 as we understand that Capital Futures Corp. would like to redirect resources in preparation for the opening of financial market to foreign companies in the PRC. During the Track Record Period, our services included assisting Capital Futures Corp. to: (i) establish a licensed asset manager in Mainland China; (ii) hold workshops in respect of algorithmic trading, high frequency trading, forex trading analysis and agile software development; (iii) maintain market making infrastructure; (iv) advise on trading systems; and (v) develop projects in

BUSINESS

relation to click trading, market marking ETF options, index options click trading and market making index options. For more information on our relationship with Capital Futures Corp., please see the section headed “Relationship with the Capital Group” in this prospectus.

In addition, our consultancy services during the Track Record Period included the provision of our personnel as expert witness for the SFC in cases of suspected market manipulation. These services, which date back to 2011, originated with the SFC reaching out to our executive Director and co-chief investment officer Tobias Hekster and our chief executive officer and chairman Ralph van Put during their engagement at the Chinese University of Hong Kong. Mr. Hekster has provided expert witness services, including testifying in Hong Kong’s Market Misconduct Tribunal. Furthermore, save for testifying, time spent on expert witness services by Mr. Hekster has been predominantly outside of local trading hours, and as a result has had minimal impact on our principal business of fund management.

Further, since 2011 our personnel have contributed to courses at the Chinese University of Hong Kong. Through such services, we aim to enhance Hong Kong students’ knowledge of volatility and derivatives trading.

OUR INVESTORS

Our Group’s clients are theoretically the funds and managed accounts that we manage, as well as clients to whom we provide consultancy services to. Please see the sections headed “Business – Our funds under management” and “Business – Consultancy services” in this prospectus for further information, respectively.

The investors in the funds and managed accounts of our Group are (i) professional investors as defined in the SFO and its subsidiary legislation; and (ii) in respect of U.S. investors, Accredited Investor (as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act), Qualified Client (as defined in Rule 205–3 promulgated under the Advisers Act), Qualified Eligible Person (as defined under Rule 4.7 promulgated under the Commodity Exchange Act, as amended), and Qualified Purchaser (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended). In respect of IAM True Partner Volatility UCITS Fund, the direct investor is a professional investor, and a collective investment undertaking managed by International Asset Management Limited. The direct investor of Managed Account A (Investor B) is a professional investor and a collective investment undertaking. The direct investor (Investor C) of Managed Account B is a professional investor and a collective investment undertaking.

In terms of investor type, investors in our funds during the Track Record Period primarily comprised of collective investment undertakings, family offices, pension funds, endowments/foundations, financial institutions and high-net worth individuals.

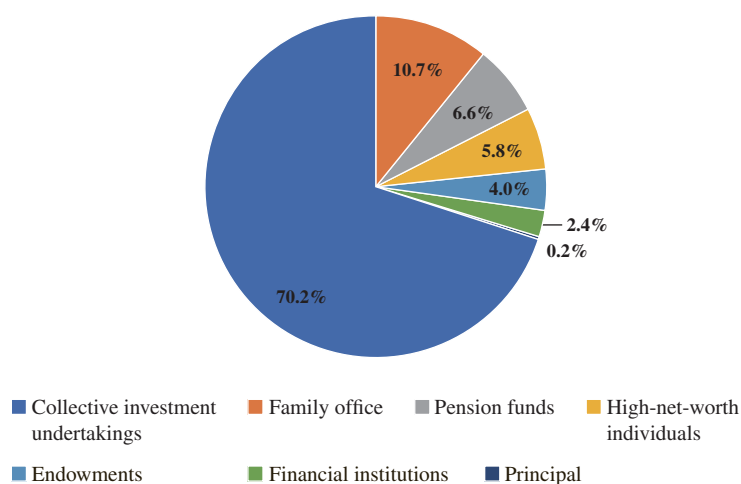
BUSINESS

The following table provides a breakdown of our Group's AUM and revenue by major type of client during the Track Record Period:

	As at 31 December 2018 AUM US\$ (in million)	As at 31 December 2019 AUM US\$ (in million)	As at 31 March 2020 AUM US\$ (in million)	For the year ended 31 December 2018 Revenue HK\$('000)	For the year ended 31 December 2019 Revenue HK\$('000)	For the three months ended 31 March 2019 Revenue HK\$('000)	For the three months ended 31 March 2020 Revenue HK\$('000)
Collective investment undertakings	446	936	1,143	71,512	25,564	4,652	33,086
Family office	68	74	83	18,821	9,898	2,251	8,215
Pension funds	42	60	69	3,703	3,644	752	5,728
High-net-worth individuals	37	41	48	7,135	2,213	546	1,682
Endowments	26	24	27	1,628	1,888	489	483
Financial institutions	15	–	–	9,235	–	–	–
Principal	1	3	3	284	377	54	404
Total	635	1,138	1,373	112,318	43,584	8,744	49,598

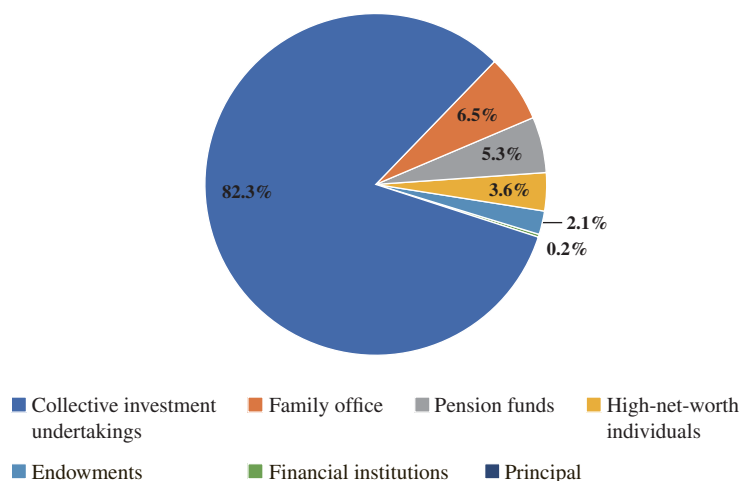
The following charts illustrate a breakdown of AUM by investor type as at 31 December 2018 and 2019 and 31 March 2020, respectively:

**Percentage of AUM by investor type
as at 31 December 2018**

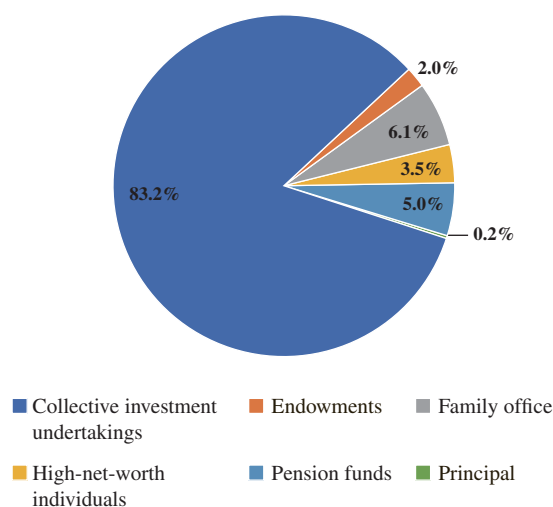


BUSINESS

**Percentage of AUM by investor type
as at 31 December 2019**



**Percentage of AUM by investor type
as of 31 March 2020**



For each of the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, revenue generated from our largest investor (in terms of contribution to our fund management business revenue) was approximately HK\$43.1 million, HK\$6.6 million and HK\$12.3 million, respectively, representing approximately 38.4%, 15.2% and 24.8% of our fund management business revenue, respectively. For each of the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, revenue generated from our five largest investors (in terms of contribution to our fund management business revenue) was approximately HK\$79.0 million, HK\$23.4 million and HK\$28.6 million, respectively, representing approximately 70.4%, 53.6% and 57.7% of our fund management business revenue, respectively.

BUSINESS

As at 31 December 2018 and 2019 and 31 March 2020, AUM attributable to our largest investor (in terms of AUM) was approximately US\$168.7 million, US\$329.6 million and US\$363.3 million, respectively, representing approximately 26.6%, 29.0% and 26.5% of our total AUM, respectively. As at 31 December 2018 and 2019 and 31 March 2020, AUM attributable to our five largest investors (in terms of AUM) was approximately US\$430.9 million, US\$873.8 million and US\$1,064.9 million, respectively, representing approximately 67.8%, 76.8% and 77.6% of our total AUM, respectively.

Our top five investors (in terms of revenue), which accounted for 57.7% of our revenue as at 31 March 2020, have been investors in funds and/or managed accounts of our Group for more than three years on average, of which the longest and shortest of these relationships have been seven years and one and a half years, respectively.

Our top five investors during the Track Record Period

Our top investors over the Track Record Period include asset management divisions of large U.S. multinational banks, large international U.S. and UK-based investment management and advisory firms, a New York-based hedge fund manager, a corporation registered with the SFC that engages in futures dealing business, long-established family offices and a European private investment management firm.

BUSINESS

The tables below set out certain information of our top five investors by AUM during the Track Record Period.

As at 31 December 2018

Rank	Investor	Background and operating scale	Funds invested	AUM contributed (US\$ in million approximately)	% of total AUM (approximately)	Date of investment into our Group's funds	Revenue contributed (HK\$'000 approximately)	% of revenue contributed to our fund management business	Redemption notice period (business days)
1.	Investor A	U.S. asset manager that provides investment management, portfolio design and advisory services to individual and institutional investors worldwide. It develops new products and services across a full range of asset classes including fixed income, money markets, public and private equity, commodities, hedge funds and real estate. It provides services to clients through a network of over 2,000 professionals (as of 31 March 2019). There are no proprietary investments in respect of the subscription amount of Investor A.	True Partner Volatility Fund	168.7	26.6	September 2016	43,088	38.4%	20
2.	Investor B	U.S. investment management company that offers equities, fixed income, hedge funds, investment strategies and financial advisory services to institutions, advisors and individual investors worldwide. It has offices in 30 cities worldwide, and manages a range of strategies, including equity, fixed come, quantitative and multi-asset class, private equity and hedge funds, on behalf of its clients with the help of more than 500 investment professionals and over 2,000 employees in total. As of 30 September 2019, the firm's AUM amounted to US\$300 billion.	Managed Account A	124.6	19.6	June 2018	8,621	7.7%	1
3.	Investor C	U.S. investment advisory firm that provides financial planning, portfolio management, asset allocation, risk tolerance, and pension consulting services to customers worldwide. The firm is part of one of the world's largest alternative investment group with US\$100 billion under management. The firm has a global footprint spanning multiple offices globally.	True Partner Fund	56.0	8.8	August 2018	1,717	1.5%	20
4.	Investor D	Founded in 2010, a New York based hedge fund manager that manages capital for institutional investors with allocations in excess of US\$4 billion in different types of asset classes.	Managed Account D (closed)	45.0	7.1	November 2015	1,646	1.5%	45
5.	International Asset Management Limited	UK investment management firm that offers portfolio construction, risk management, asset allocation, financial planning, and investment advisory services to individuals, institutions, trusts, and private clients globally. Founded in 1989, it has been specialising in hedge funds and alternative UCITS investments, and focusing on the development of investment solutions to help its clients achieve specific risk return targets. It started hedge fund research globally, began the development of its proprietary research and performance database, and launched the first listed fund of hedge funds on the London Stock Exchange in the 1990s. It currently operates 2 offices in London and Stockholm in the United Kingdom.	True Partner Fund	36.7	5.8	June 2018	3,290	2.9%	20
Total AUM generated from our top five investors				431.0	67.9				

BUSINESS

Set out below is the movement in AUM during the year ended 31 December 2018 of our top five investors (in terms of AUM as at 31 December 2018, as set out in the above table):

Investor	Funds invested	AUM as at 1 January 2018 (US\$ in million)	Subscription (US\$ in million)	Redemption (US\$ in million)	Performance (US\$ in million)	AUM as at 31 December 2018 (US\$ in million)
Investor A	True Partner Volatility Fund	153.2	35.2	(53.3)	33.6	168.7
Investor B	Managed Account A	–	119.0	–	5.6	124.6
Investor C	True Partner Fund	–	55.5	–	0.5	56.0
Investor D	Managed Account D (closed)	45.0	–	–	–	45.0
International Asset Management Limited	True Partner Fund	–	37.6	(3.5)	2.6	36.7
		<u>198.2</u>	<u>247.3</u>	<u>(56.8)</u>	<u>42.3</u>	<u>431.0</u>

As at 31 December 2019

Rank	Investor	Background and operating scale	Funds invested	AUM contributed (US\$ in million approximately)	% of total AUM (approximately)	Date of investment into our Group's funds	Revenue contributed (HK\$'000 approximately)	% of revenue contributed to our fund management business	Redemption notice period (business days)
1.	Investor B	See above.	Managed Account A	329.6	29.0	June 2018	–	–	1
2.	International Asset Management Limited	See above.	True Partner Fund	13.9	1.2	June 2018	5,896	13.5%	20
			IAM True Partner Volatility UCITS Fund	228.7	20.1				3
				<u>242.6</u>	<u>21.3</u>				
3.	Investor A	See above.	True Partner Volatility Fund	127.7	11.2	September 2016	–	–	20
4.	Investor C	See above.	True Partner Fund and Managed Account B	100.9	8.9	August 2018	6,632	15.2%	20
5.	Investor F	Founded as a family office over a century ago, a global company that offers asset management, insurance advisory, family wealth stewardship, real estate management and advisory, estate planning, and targeted philanthropy services. It has offices in cities worldwide and manages a broad spectrum of assets, including large, mid and small cap stocks, municipal and taxable bonds, hedge funds, private equity funds, real estate holdings, private companies and energy holdings. It has established more than 2,500 client relationships and supervises more than US\$100 billion in assets.	True Partner Fund	73.0	6.4	August 2019	2,366	5.4%	20
Total AUM generated from our top five investors				<u>873.8</u>	<u>76.8</u>				

BUSINESS

Set out below is the movement in AUM during the year ended 31 December 2019 of our top five investors (in terms of AUM as at 31 December 2019, as set out in the above table):

Investor	Funds invested	AUM as at 1 January 2019 (US\$ in million)	Subscription (US\$ in million)	Redemption (US\$ in million)	Performance (US\$ in million)	AUM as at 31 December 2019 (US\$ in million)
Investor B International Asset Management Limited	Managed Account A	124.6	219.8	–	(14.8)	329.6
	True Partner Fund	36.7	14.5	(34.3)	(3.0)	13.9
	IAM True Partner Volatility UCITS Fund	–	232.7	(2.3)	(1.7)	228.7
Investor A	True Partner Volatility Fund	36.7	247.2	(36.6)	(4.7)	242.6
		168.7	36.1	(61.0)	(16.1)	127.7
Investor C	True Partner Fund and Managed Account B	56.0	125.3	(75.2)	(5.2)	100.9
Investor F	True Partner Fund	–	74.4	–	(1.4)	73.0
		<u>385.9</u>	<u>702.9</u>	<u>(172.8)</u>	<u>(42.2)</u>	<u>873.8</u>

As at 31 March 2020

Rank	Investor	Background and operating scale	Funds invested	AUM contributed (US\$ in million approximately)	% of total AUM (approximately)	Date of investment into our Group's funds	Revenue contributed (HK\$'000 approximately)	% of revenue contributed to our fund management business	Redemption notice period (business days)
1.	Investor B	See above.	Managed Account A	363.3	26.5	June 2018	5,579	11.2%	1
2.	International Asset Management Limited	See above.	True Partner Fund	5.2	0.4	June 2018	4,005	8.1%	20
IAM True Partner Volatility UCITS Fund			342.8	24.9				3	
			348.0	25.3					
3.	Investor A	See above.	True Partner Volatility Fund	172.8	12.6	September 2016	-	-	20
4.	Investor C	See above.	True Partner Fund	98.2	7.2	August 2018	1,931	3.9%	20
5.	Investor F	See above.	True Partner Fund	82.7	6.0	August 2019	12,322	24.8%	20
Total AUM generated from our top five investors				1,064.9	77.6				

BUSINESS

Set out below is the movement in AUM during the three months ended 31 March 2020 of our top five investors (in terms of AUM as at 31 March 2020, as set out in the above table):

Investor	Funds invested	AUM as at 1 January 2020 (US\$ in million)	Subscription (US\$ in million)	Redemption (US\$ in million)	Performance (US\$ in million)	AUM as at 31 March 2020 (US\$ in million)
Investor B International Asset Management Limited	Managed Account A	329.6	6.0	(31.4)	59.1	363.3
	True Partner Fund	13.9	–	(9.6)	0.9	5.2
	IAM True Partner Volatility UCITS Fund	228.7	99.5	(8.7)	23.3	342.8
Investor A	True Partner Volatility Fund	242.6	99.5	(18.3)	24.2	348.0
		127.7	26.3	(6.4)	25.2	172.8
Investor C	True Partner Fund	100.9	7.8	(19.9)	9.4	98.2
Investor F	True Partner Fund	73.0	0.9	–	8.8	82.7
		<u>873.8</u>	<u>140.5</u>	<u>(76.0)</u>	<u>126.6</u>	<u>1,064.9</u>

The tables below set out certain information of our top five investors by contribution to our fund management business revenue during the Track Record Period.

Year ended 31 December 2018

Rank	Investor	Background and operating scale	Funds invested	Revenue contributed (HK\$'000 approximately)	% of total fund management business revenue (approximately)	Date of investment into our Group's funds
1.	Investor A	See above.	True Partner Volatility Fund	43,088	38.4	September 2016
2.	Investor G	Dutch investment management company that offers portfolio management, financial planning and investment advisory services. The firm is part of a Dutch family office.	True Partner Fund	10,444	9.3	July 2013
3.	CSC Futures	CSC Futures is a subsidiary of CSC and part of the Capital Group. Please refer to the section headed "Relationship with the Capital Group" in this prospectus.	Managed Account C (closed) and co-branded fund A (closed)	9,231	8.2	February 2013
4.	Investor B	See above.	Managed Account A	8,621	7.7	June 2018
5.	Investor H	Irish holding company that, through its subsidiaries, provides financial planning, investment advisory, wealth and portfolio management services to customers worldwide. The company (together with its subsidiaries) is an alternative asset manager with more than US\$5 billion AUM in 2016, offering customised solutions across a variety of platforms to institutional investors, primarily in Europe. The company is part of a global private markets investment firm since 2016.	True Partner Fund	7,593	6.8	January 2017
Total revenue generated from our top five investors				<u>78,977</u>	<u>70.4</u>	

BUSINESS

Year ended 31 December 2019

Rank	Investor	Background and operating scale	Funds invested	Revenue contributed (HK\$'000 approximately)	% of total fund management business revenue (approximately)	Date of investment into our Group's funds
1.	Investor C	See above.	True Partner Fund and Managed Account B	6,632	15.2	August 2018
2.	International Asset Management Limited	See above.	True Partner Fund and IAM True Partner Volatility UCITS Fund	5,896	13.5	June 2018
3.	Investor I	A U.S. investment advisory firm that offers advisory, methods of analysis, investment strategies, brokerage, and risk management services. The firm provides advisory services to private investment funds that are either feeder funds organised to invest primarily in other private investment funds advised by third-party managers or funds of hedge funds or private investment funds of funds. These third-party managed funds include hedge funds, private equity funds (and co-investment vehicles) and real estate funds (and co-investment vehicles). It also provides investment advice to separately managed accounts on either a fully discretionary or non-discretionary basis. The firm is part of a group listed on the New York Stock Exchange.	True Partner Volatility Fund	3,735	8.6	December 2018
4.	Investor G	See above.	True Partner Fund	3,707	8.5	July 2013
5.	Investor J	Dutch private investment company that invests in property, private and public equity and fixed-interest securities. The firm is part of a Dutch family office.	True Partner Fund	3,400	7.8	March 2016
Total revenue generated from our top five investors				<u>23,370</u>	<u>53.6</u>	

BUSINESS

Three months ended March 2020

Rank	Investor	Background and operating scale	Funds invested	Revenue contributed (HK\$'000 approximately)	% of total fund management business revenue (approximately)	Date of investment into our Group's funds
1.	Investor F	See above.	True Partner Fund	12,322	24.8	August 2019
2.	Investor B	See above.	Managed Account A	5,579	11.2	June 2018
3.	International Asset Management Limited	See above.	True Partner Fund and IAM True Partner Volatility UCITS Fund	4,005	8.1	June 2018
4.	Investor J	See above.	True Partner Fund	3,538	7.1	March 2016
5.	Investor G	See above.	True Partner Fund	3,190	6.4	July 2013
Total revenue generated from our top five investors				<u>28,634</u>	<u>57.7</u>	

Whilst Investor A was a top investor by AUM during the Track Record Period, it was not one of our top five investors by revenue for the year ended 31 December 2019 as Investor A was one of our investors which was granted preferential fee arrangements (i.e. charged a lower management fee than 2%). As such, in periods of relatively low volatility in the equity markets such as in the year ended 31 December 2019, we may be entitled to charge relatively modest or nil performance fees, and the revenue contribution by Investor A vis-à-vis our other investors may be relatively less. Investor A was also not one of our top five investors by revenue for the three months ended 31 March 2020 as, based on the relevant investment mandate, the amount of performance fees chargeable may only become realised on 31 December 2020.

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 investors in terms of AUM or any of our five largest investors in terms of contribution to our fund management business revenue during the Track Record Period. All of our top five investors in terms of AUM and our top five investors in terms of contribution to our fund management business revenue during the Track Record Period are Independent Third Parties. Further, none of our major investors are also service providers and vice versa.

Clients and investors who are related persons of our Group

In order to demonstrate alignment of interests between our funds' investors and our Group, we have invested into the True Partner Fund through our subsidiary True Partner Advisor Limited. The value of our Group's investment represented approximately US\$2.4 million or 0.2% of our Group's AUM as at 31 March 2020. In addition, our executive Director and co-chief investment officer Tobias Benjamin Hekster has personally invested in the True Partner Volatility Fund and the True Partner Volatility U.S. Fund, LP. The value of his investment represented approximately US\$0.3 million or 0.03% of our Group's AUM as at 31 March 2020. Please see the section headed "Business – Our Investments" in this prospectus for further information.

BUSINESS

With investments in Managed Accounts C and D as well as co-branded fund A, CSC Futures, a subsidiary of the Capital Group, was our third largest investor by contribution to our fund management business revenue in 2018 and our tenth largest investor in terms of our AUM as at 31 December 2018. As at the Latest Practicable Date, our subsidiaries hold a 2.73% equity interest in CSC Futures as well as 49% equity interest in Capital True Partner Technology Co. Ltd, a subsidiary of the Capital Group.

Our largest customer of consultancy services was Capital Futures Corporation, a company listed on the Taiwan Stock Exchange which is a subsidiary of CSC. Capital Futures Corporation is the holder of 97.27% shareholding in CSC Futures (in which we hold 2.73% equity interests) and 51% of Capital True Partner Technology Co. Ltd (in which we hold 49% equity interests).

For further information regarding the relationship between our Group and the Capital Group, please refer to the section headed “Relationship with the Capital Group” in this prospectus.

Main redemption activities by investors over the Track Record Period

For the two years ended 31 December 2019, there were no significant redemptions in respect of the True Partner Volatility Fund, while one of the investors in the True Partner Fund redeemed investments which amounted to approximately 12.4% of our fund’s AUM. The relevant investor is a private debt and hedge fund solutions provider and alternative asset manager headquartered in Zurich which serves European clients (including institutional investors and pension funds). We understand that the redemption was mainly due to change in the investor’s investment preference. In terms of financial impact on our Group, the redemption resulted in approximately HK\$1.4 million reduction in management fees and approximately HK\$2.4 million reduction in performance fees for the year ended 31 December 2018, had the redemption not occurred.

In addition, (i) approximately US\$3.5 million in redemptions in the True Partner Fund for the year ended 31 December 2018 relate to the redemption of investments which were transferred to the IAM True Partner Volatility UCITS Fund upon its establishment; and (ii) approximately US\$34.3 million and US\$56.3 million in redemptions for the year ended December 2019 relate to the redemption of investments in the True Partner Fund the investments of which were transferred to the IAM True Partner Volatility UCITS Fund and Managed Account B (upon its establishment), respectively. Such redemptions do not reflect a withdrawal of investment in funds managed by our Group.

The investment management agreement in respect of Managed Account C was terminated on 1 August 2019 and the entire investment of CSC Futures in co-branded fund A was redeemed in May 2019. Co-branded fund A was subsequently dissolved on 30 December 2019. Further, as Investor D co-invested into Managed Account D together with CSC Futures (whose investments had been withdrawn following the redemption of investment in co-branded fund A, which invested solely into Managed Account D), Investor D also had to withdraw their investments on 1 May 2019 and Managed Account D was subsequently closed. For details for the relevant redemptions, please refer to the section headed “Relationship with the Capital Group – A. Services provided by our Group to the Capital Group – Reasons for termination of consultancy and fund management services provided our Group to the Capital Group” in this prospectus.

BUSINESS

For the three months ended 31 March 2020, approximately US\$31.4 million and US\$15.0 million in redemptions relate to redemptions of investments in Managed Account A and Managed Account B, respectively. In respect of the redemption of investments from April 2020 up to June 2020 (being the latest practicable date of this information), approximately US\$78.0 million, US\$36.7 million and US\$278 million in redemptions related to redemptions of investment in IAM True Partner Volatility UCITS Fund, the True Partner Volatility Fund and True Partner Fund, respectively.

Reasons for redemption of investments by investors

Our Directors believe that investors may generally redeem their investments in our funds and/or managed accounts for one of the following reasons:

- (i) to take profits that our fund/managed account has made for them (to cover losses which they may have made elsewhere, or otherwise) as our funds/managed accounts are often used as a diversifier of larger funds seeking asset protection for their overall portfolio;
- (ii) if the asset allocator of larger funds (who delegates part of their assets to be managed by us under our trading strategy) loses the investor mandate(s) with the underlying investors themselves (resulting in redemption across all funds that the underlying investors holds investments in); and/or
- (iii) due to internal restructuring of our clients (such as hiring of new internal personnel with different ideas and/or policies on which funds to invest in).

The specific reasons for effecting a redemption of investments made with us is not normally provided to us due to its sensitive nature.

Whether our Directors expect any material redemption of our Group's funds and managed accounts in the remainder of 2020

Typically investors in our funds and/or managed accounts may determine to redeem their investments following periods of high volatility whereby our funds and/or managed accounts may record positive performance. For the first half of 2020, approximately 16.5% of the total AUM of our Group were redeemed, and this is comparable to the amount of redemptions in 2018 (15.7% of total AUM of our Group) which followed the period of high volatility in that year.

However, as explained in the “Industry Overview” section of this prospectus, a rise in investor demand for volatility strategies with strong performance during periods of market turmoil has historically been observed, and this has been the case for our Group following market turmoil in 2015 and 2018. Such demand generally has been reflected in the growth of our AUM in periods subsequent to those with high volatility. Further, it was noted that after a long bull market in equities, Q1 2020 serves as a reminder of the potential downsides of equities and upside of diversifiers when assessing current and future investments, which may benefit volatility strategies which offer diversification benefits to investors, for example, funds that outperformed in Q1 2020.

As such, notwithstanding redemptions in our Group's funds and managed accounts in 2020, we recorded a net increase in our AUM from US\$1.138 billion as at 31 December 2019 to US\$1.389 billion as at 31 July 2020 due to net subscriptions (taking into account redemption amounts during the period).

BUSINESS

Notwithstanding recent redemptions, our Directors expect that the total AUM of our Group will continue to grow (supported by factors described in the section “Summary – Sustainability of the Group during periods of high and low volatility) for the remainder of 2020.

OUR 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.

The following table sets out the particulars of our five largest service providers over the Track Record Period:

Year ended 31 December 2018

Rank	Service providers	Services provided	Transaction amount (HK\$'000 approximately)	% of total operating costs (approximately)	Year(s) of relationship with our Group (approximately)
1	Service Provider A	Capital introduction partner services	8,318	13.7	7
2	Service Provider B	Office space	2,541	4.2	3
3	Service Provider C	Capital introduction partner services	2,133	3.5	3
4	Ms. Kung Yun Ching	Consultancy services	1,228	2.0	2
5	Service Provider E	Capital introduction partner services	845	1.4	4
Total			<u>15,065</u>	<u>24.8</u>	

BUSINESS

Year ended 31 December 2019

Rank	Service providers	Services provided	Transaction amount (HK\$'000 approximately)	% of total operating costs (approximately)	Year(s) of relationship with our Group (approximately)
1	Service Provider A	Capital introduction partner services	4,333	7.7	7
2	Service Provider F	Office space	1,560	2.8	1
3	Service Provider E	Capital introduction partner services	1,190	2.1	4
4	Service Provider B	Office space	1,162	2.1	3
5	Connect & Exchange	Software consultancy services	991	1.8	6
Total			<u>9,236</u>	<u>16.5</u>	

Three months ended 31 March 2020

Rank	Service provider	Services provided	Transaction amount (HK\$'000 approximately)	% of total operating costs (approximately)	Year(s) of relationship with our Group (approximately)
1.	Service Provider A	Capital introduction partner services	1,774	7.0	7
2.	Service Provider F	Office space	504	2.0	1
3.	Service Provider G	Capital introduction partner services	378	1.5	3
4.	Service Provider E	Capital introduction partner services	331	1.3	4
5.	Mr. Chatib Sjarbaini, Front Row Investments B.V.	Consultant relating to the Listing	275	1.1	1
Total			<u>3,262</u>	<u>12.9</u>	

BUSINESS

Our major service providers over the Track Record Period included capital introduction partners, providers of office space in Hong Kong, a business consultancy service provider, a software consultancy service provider and a consultant related to the Listing. Apart from capital introduction partners and consultancy services, we generally do not enter into long-term agreements with these service providers.

A description of our major service providers is set out below. For information on our relationship with our capital introduction partners, including Service Provider A, Service Provider E, Service Provider C and Service Provider G, please see the section headed “Business – Sales and marketing – Engagement of capital introduction partners” in this prospectus.

A. Capital introduction partners

Over the Track Record Period, we engaged capital introduction partners to assist us in sourcing investors for our funds and/or investment mandates in respect of managed accounts. For further details, please refer to the headed “Business – Sales and marketing” in this prospectus. Some of these capital introduction partners were our top service providers over the Track Record Period in terms of total costs and expenses incurred by us, namely:

- (i) *Service Provider A*: one of our key capital introduction partners engaged since September 2012 who has introduced a number of key institutional investors (including Investors A, B, D, E and G described in the “Our investors” section below) based in Europe, the United Kingdom and the United States to our Group in respect of investments in our flagship funds and co-branded fund A and investment mandates in respect of Managed Account A;
- (ii) *Service Provider C*: engaged since September 2016, this capital introduction partner was involved in the introduction of Managed Account A;
- (iii) *Service Provider E*: engaged since November 2015, this capital introduction partner was involved in the introduction of Investor J; and
- (iv) *Service Provider G*: engaged since December 2016, this capital introduction partner was involved in the introduction of Investor F.

B. Office space in Hong Kong

We entered into business centre service agreements with Service Provider B for the provision of office space services in Kowloon, Hong Kong for our Hong Kong offices. Such agreements have expired. In May 2019, we entered into a tenancy agreement with Service Provider F for our new Hong Kong office premises.

C. Consultant

Ms. Kung Yun Ching (“**Ms. Kung**”) is a spouse of Mr. Ralph Van Put. Ms. Kung has an extensive career in audit and consultancy with relevant experience in merger & acquisition due diligence processes in Taiwan, Vietnam, Hong Kong and the PRC. She started her career at one of the Big 4 audit and consultancy firms, mainly focusing on due diligence processes of merger & acquisitions as well in the area of IPO audit preparation and control. Prior to providing services to our Group, she was the chief investment officer of the family office of a large Taiwanese technology firm.

On 3 January 2018, Ms. Kung was engaged pursuant to a consultancy agreement for rendering consulting services in respect of, *inter alia*, audit, accounting, due diligence and business advisory to True Partner Holding Limited, a subsidiary of our Group. The key provisions of the consultancy agreement are as follows:

- (i) the agreement shall be for an initial term of one year and shall continue unless terminated by prior written notice 30 days’ from the initial term or extended term, as applicable;
- (ii) Ms. Kung shall provide consulting services as may be requested by True Partner Holding Limited from time to time;
- (iii) Ms. Kung shall be entitled to be remunerated in arrears (within 10 calendar days after end of each calendar month) (a) US\$10,000 per calendar month for up to 10 hours of consulting services; and (b) US\$1,000 for each additional hour of services provided within the relevant month;
- (iv) Ms. Kung shall be responsible at her own expense for any office facilities and equipment as well as professional and office staff necessary for her discharge of her duties; and
- (v) during the term of the agreement, Ms. Kung shall be required to act with due care and utmost good faith and comply with all applicable laws, codes and regulations.

Ms. Kung was engaged to provide consultancy services to our Group as her senior relevant experience and network in Taiwan and the PRC was otherwise not available to our Group at the relevant time. During the Track Record Period, she assisted in the due diligence in respect of our equity investment in Holland & Muh Investment Management Co., Ltd. (as referred to in the “Business – Our investments” section of this prospectus) as well as acted as a liaison between our Group and the Capital Group.

The consultancy agreement with Ms. Kung was terminated as from 1 January 2020 as her expertise was no longer required in light of the change in our relationship with the Capital Group (including the termination of consultancy services, as described in the section headed “Relationship with the Capital Group” in this prospectus) as well as completion of our equity investment in Holland & Muh Investment Co., Ltd.

D. Connect & Exchange

During the Track Record Period, Connect & Exchange provided remote support and consultancy services for T8 Software Consulting Limited in the Netherlands and True Partner Capital USA, LLC's trading branch in the U.S., a hosted monitoring platform to True Partner Holding Limited, and managed internet services (including internet connection and firewall services) in the Netherlands to True Partner Holding Limited.

E. Mr. Chatib Sjarbaini, Front Row Investments B.V.

In October 2019, we engaged Mr. Chatib Sjarbaini, Front Row Investments B.V. on a contract basis to provide administrative support in relation to the Listing, including providing professional support in the finance department, preparation of reports and carrying out liaison and coordination with professional advisers. In terms of Mr. Sjarbaini's background, from 1997 to 1999, Mr. Sjarbaini worked as the chief operating officer of a subsidiary of a major European bank, mainly engaged in the provision of prime brokerage services. From 2001 to 2007, Mr. Sjarbaini served as an executive director in All Options, a derivatives trading group based in the Netherlands with major presence in European markets. In 2009, Mr. Sjarbaini founded the company, Front Row Holding B.V., which has made investments in the technological sector.

Service providers who are related persons of our Group

As at the Latest Practicable Date, Mr. Edo Bordoni is the holder of 9.99% of the Company, and immediately after the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), Mr. Edo Bordoni will be the holder of approximately 7.46% interest in the Company. Mr. Bordoni invested approximately HK\$7.75 million in True Partner Holding Limited in August 2012. In 2015, such interests were transferred to True Partner Singapore Holding Pte. Ltd at a consideration of HK\$7.75 million, and True Partner Singapore Holding Pte. Ltd allotted Mr. Bordoni 21,820 shares for the consideration of HK\$7.75 million. In 2018, Mr. Bordoni transferred 22 shares to Mr. Heijboer for the consideration of HK\$7,850.

Mr. Edo Bordoni, who has extensive business experience in Switzerland and continental Europe, has been engaged by our Group, pursuant to a consultancy agreement dated 1 August 2012, to provide consulting services to our Group in connection with Swiss capital markets as well as to provide promotion and sales support. During the term of his engagement, Mr. Bordoni provided strategic advice on the positioning of our Group in Europe and spent time travelling with our Group to meet potential investors. Our Directors believe that his consultancy services were particularly valuable to our Group from a business development perspective as we continued to grow our business from a start-up. Mr. Bordoni was engaged as an independent external consultant rather than as an employee, and was remunerated a fixed fee of US\$50,000 per year during the term of his engagement. The relevant agreement was terminated with effect from 1 January 2020 as our Group expects to further benefit from the experience of independent non-executive Directors from a business development of a public company perspective upon Listing. The decision of Mr. Edo Bordoni to invest in the Company was personal having gained an understanding of our Group from discussions leading to, and the performance of his obligations, as a business consultant, to our Group.

BUSINESS

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 during the Track Record Period were Independent Third Parties during the time their respective services were rendered.

STAFF

As of the Latest Practicable Date, we engaged 26 staff in Hong Kong, the United States, the Netherlands and the United Kingdom, comprising our chief executive officer, technology and risk management, portfolio management, operations, finance and compliance, and investor relations and solutions personnel who we consider are appropriately experienced, qualified and trained. The following table sets out the breakdown of our staff by functionality:

Functions	Number of staff	Percentage (%) of staff
Chief executive officer	1	4
Technology and risk management	6	23
Portfolio management	8	31
Operations	3	12
Finance and compliance	5	19
Investor relations and solutions	<u>3</u>	<u>12</u>
Total:	<u>26</u>	<u>100</u>

Remuneration of staff

The remuneration of our staff generally comprises base salary as well as discretionary bonus. Generally, the salaries of our employees are determined based on the particular job responsibilities, duties and scope of each position. We conduct salary reviews which take into account various factors, including general merit (such as skill and knowledge, and quality and volume of work), length of employment with us, changes in the cost of living, comparable salaries in their and other professions and in their locality, and any benefits which they may receive as part of their employment and which in effect are equivalent to remuneration. We also provide basic medical insurance or an allowance for medical insurance for most of our Hong Kong, United States and United Kingdom employees.

Further, certain senior management and staff have invested in the Company, and are therefore incentivised to increase shareholder value. For further information, please see the sections headed “History, reorganisation and corporate structure” and “Substantial Shareholders” in this prospectus.

Recruitment of staff

Our senior management and executive Directors discuss on an ongoing basis our available human resources and whether additional non-senior staff are required. Our need for additional senior management is decided by the executive Directors.

We recruit non-senior staff by posting a job description on recruitment websites or sending a job description to university recruitment offices who may post/distribute the job description among students and alumni. Senior staff may also be sourced through the network of contacts of our senior managers and Directors. We conduct one to two interviews as well as background checks on potential candidates. In addition, potential candidates may be required to sit a test to assess their competency (such as a calculation test for operations/trading trainee staff candidates), and their application will no longer be considered if they do not satisfy a minimum threshold. Overall, potential candidates are assessed based on their application, interviews, tests (if applicable), comments from previous employers and references, as well as specifically considering whether they are fit and proper to perform their assigned responsibilities. New employees are subject to a probationary period.

Training of staff

We encourage all of our staff to participate in training and education to further enhance their competencies and remain up-to-date with industry and regulatory developments.

We require all of our staff to attend annual AML training provided by a global consultancy firm as well as quarterly cybersecurity training intended to further each staff member's understanding of the dangers of and how to avoid cyber threats. Our cybersecurity training program may cover the following: general information security matters, policies and procedures pertaining to information security, information classification, access control and use of passwords, maintenance and protection of passwords, incident reporting, physical security, social engineering tactics, phishing (conducted semi-annually), as well as additional relevant information at the time of the training. We also routinely send fake phishing emails to staff to test their alertness.

Our responsible officers and licensed representatives are required to take at least five hours of continuous professional training in order to fulfil SFC continuous professional training requirements, maintain their SFC licences to carry on the relevant regulated activities, and keep updated on the changes and developments in the asset management industry and the relevant laws and regulations.

In addition, we outsource various functions and engage consultants to fulfil our operational needs and to supplement and enhance the work undertaken by our staff members. The selection of consultants and other outsourced providers is based on their assessed abilities and capacities.

We believe we have maintained good relationships with our employees. Our employees are not represented by a labour union. As of the Latest Practicable Date, we did not experience any strikes or any labour disputes with our employees which have had or are likely to have a material effect on our business.

As at the Latest Practicable Date, all staff members currently performing regulated activities for True Partner Advisor Hong Kong Limited were properly registered under the SFO as either licensed representatives or responsible officers accredited to True Partner Advisor Hong Kong Limited.

BUSINESS

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. The following table sets out the names of the responsible officers approved by the SFC as at the Latest Practicable Date:

Responsible officer	Approval date as a responsible officer (accredited to True Partner Advisor Hong Kong Limited) by the SFC
HEKSTER Tobias Benjamin	Since 6 March 2013
JANSSEN Remco	Since 30 July 2019
VAN BAKEL Roy	Since 30 September 2010
HEIJBOER Godefriedus Jelte	30 September 2010 to 04 August 2011 and since 22 April 2020

Licensed representatives

Under the SFO, any individual who carries on a regulated activity on behalf of True Partner Advisor Hong Kong Limited 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 seven licensed representatives accredited to True Partner Advisor Hong Kong Limited. The following table sets out the names of the licensed representatives approved by the SFC as at the Latest Practicable Date:

Licensed representative	Approval date as a licensed representative (accredited to True Partner Advisor Hong Kong Limited) by the SFC
CORNELISSEN Johan Marianus Cecil	Since 20 June 2016
NI Jiawei 倪佳煒	Since 22 June 2018
ZOU Ruobing 鄒若冰	Since 15 June 2015
CHEUNG Shing Chun 張承俊	Since 12 June 2020
LONG Shishi 龍時時	Since 29 May 2020
QIN Ruicheng 秦睿成	Since 27 May 2020
YANG Dezhong 楊德重	26 February 2016 to 09 July 2019 and since 18 June 2020

According to the public register of licensed persons and registered institutions of the SFC, none of our responsible officers or licensed representatives have been subject to any public disciplinary actions in the last five years.

BUSINESS

AWARDS

The following table sets out the major awards and recognitions obtained by us during the Track Record Period:

Name of award/ recognition	Name of recipient(s)	Awarding organisation or authority	Year awarded
Tomorrow's Titans (fifty rising Fund managers) ⁽¹⁾	Godefriedus Jelte Heijboer, Tobias Benjamin Hekster and Ralph van Put, co- founders, chief investment officers and chief executive officer of True Partner Capital	The Hedge Fund Journal	2019
Relative Value category at the HFMWeek Hedge Fund Asia Awards	True Partner Advisor	HFMWeek	2019
Arbitrage & Relative Value category at the AsiaHedge Awards	True Partner Fund	AsiaHedge	2015

Note: Tomorrow's Titans was launched by The Hedge Fund Journal in 2010 as a biennial report to nominate global investment managers which are rising stars in the industry and have the potential to become leading managers within their strategies. Nominations come from readers, subscribers and contacts of The Hedge Fund Journal, including: pension funds, family offices, endowments, foundations, funds of funds, private banks and wealth managers, insurance companies, prime brokers, administrators, custodians, depositaries, law firms, accountancy firms, exchanges, technology providers and others.

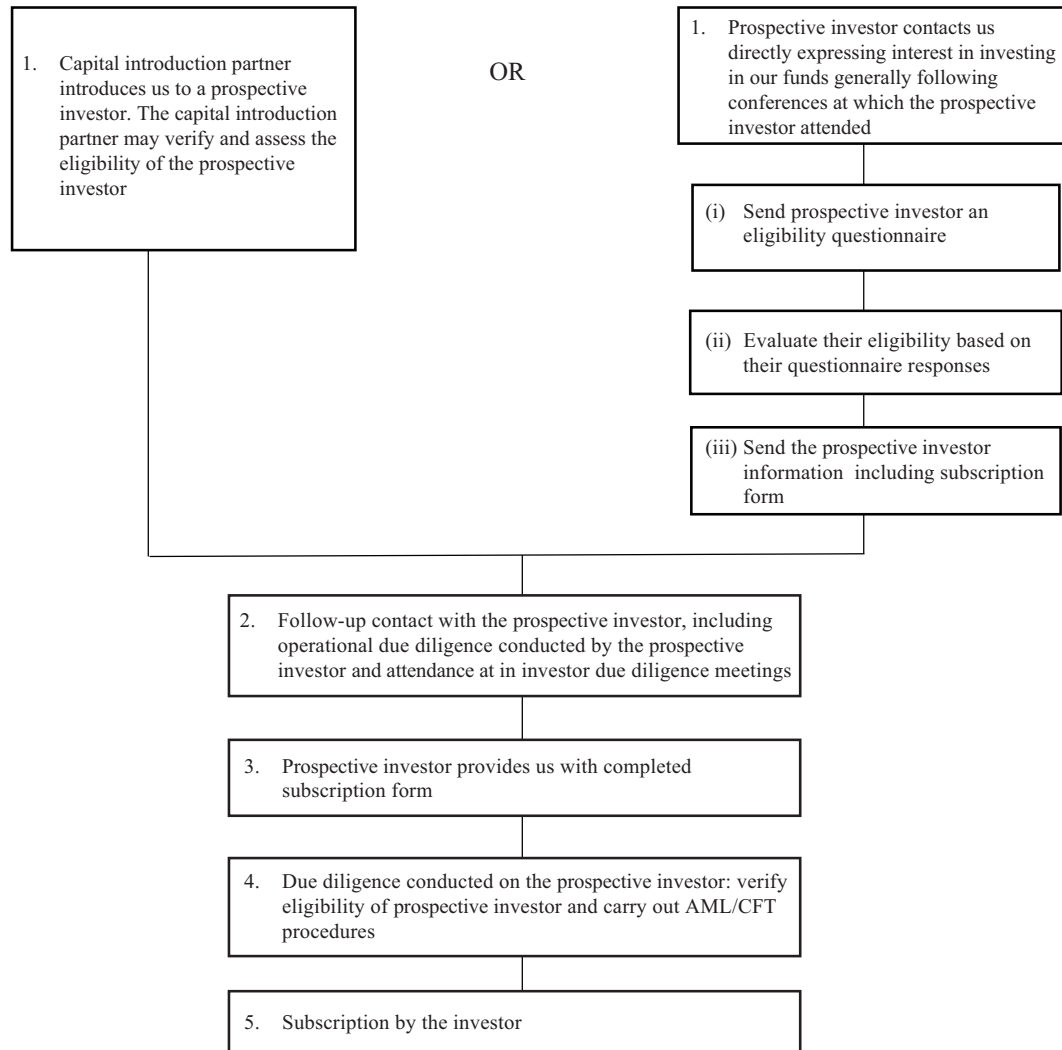
OUR INVESTOR MANAGEMENT

On-boarding and ongoing review of investors

For details of our procedures for the onboarding and ongoing review of investors, please refer to the sections headed “Business – Sales and marketing – Investor due diligence” and “Business – Risk management and internal control – Internal control” in this prospectus.

BUSINESS

The diagram below sets out a summary of our investor onboarding procedure.



Complaints management

We send investors a monthly report with commentary on the performance of the fund they invested in.

Client and investor complaints are handled by our compliance team in a timely and appropriate manner. If a complaint is not remedied promptly, the client or investor is advised of any further steps which may be available under the relevant regulatory system. All complaints and the handling of such are presented to our chief executive officer and chairman Mr. Ralph van Put, our co-chief investment officers Mr. Tobias Hekster and Mr. Godefriedus Jelte Heijboer, and our chief technology officer Mr. Roy van Bakel.

BUSINESS

Our U.S. Sub-Manager and Investment Manager have implemented a policy on investor complaints, meaning any statement alleging a grievance involving our investment management and advisory activities. Any employee receiving an investor complaint, whether oral or written, from any existing, former or prospective investor, including any threatened lawsuit or arbitration filing, must promptly bring such to the attention of the chief compliance officer. Employees are not allowed to attempt to respond to or resolve any complaint by themselves. The chief compliance officer maintains records of any complaints as well as our response.

Our HK Sub-Manager has implemented a policy on complaints. Any employee who receives a complaint must report the complaint to the MIC for compliance. The employee or the MIC for compliance must acknowledge receipt of the complaint to the complainant and inform them that the matter is under investigation. The MIC for compliance should investigate the matter that is the subject of the complaint (unless the MIC for compliance is the subject of the complaint, in which instance another member of senior management will be responsible for the investigation). Once the investigation is completed and the complaint resolved, our compliance team should respond to the complainant and maintain a written record of the complaint, the result of the investigation and any action taken including all correspondence. Our compliance team must use all efforts to ensure that the complaint is satisfactorily resolved within 28 days of the initial reporting. As part of the final response, the complainant must be advised of any further steps that are available to it under the regulatory system. Where a complaint is not remedied promptly, the complainant should be informed of the right to refer complaints to Hong Kong's Financial Dispute Resolution Centre Limited. Our compliance team keeps a central register of complaints, which is reviewed periodically by senior management. Should we withdraw from business, all clients and end investors that would be potentially impacted would be clearly communicated to well in advance such that transitional arrangements could be arranged.

Throughout the Track Record Period and up to the Latest Practicable Date, we have not received any material customer complaints.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk management

We have developed comprehensive risk and internal control systems to address the risks that we are exposed to. We are subject to a variety of risks, including trading risk, counterparty risk, liquidity risk, operational risk and market risk. We also continue to monitor and review the operation and performance of our risk management and internal control systems, and adopt to the changes in market conditions and the regulatory environment.

We have established a trading risk management team consisting of Roy van Bakel, our designated risk manager and chief technology officer, and Thorsten Gragert, head of research and development. Roy van Bakel is responsible for monitoring market risk, liquidity risk and operational risk. Thorsten Gragert undertakes risk management at our Amsterdam office. For more information on our risk management team, please see the section headed "Business – Our team and our organisation structure – Roles and responsibilities of our teams – Risk management team" in this prospectus.

The main objective of our risk management is to establish and maintain effective policies and guidelines to ensure proper management of risks to which our Group and our investors are exposed and to take appropriate and timely action to manage such risks. The functions of our risk manager include: identifying the risk; quantifying and assessing the potential impact brought by the risk; considering any mitigating factors; reporting the risk; directing timely action to contain and otherwise manage those risks; and executing an action plan.

We have established a risk committee comprising Mr. Roy Van Bakel, Mr. Thorsten Gragert, Mr. Godefriedus Jelte Heijboer, Mr. Tobias Hekster and Mr. Remco Janssen. Please see the section headed “Directors and Senior Management” in this prospectus for information on their professional qualifications and industry experience. Our risk committee is responsible for formulating, assessing and executing risk management policies, practice and procedures for the Investment Manager and the funds and portfolios it manages and advises. Our risk committee meets on an annual basis to assess policies and any risk occurrences, and meets when facts and circumstances warrant.

Effective risk management is critical to the operations of our business. Our Group adopts certain policies and procedures in managing the various risks applicable to our operations (other than legal and compliance risks set out in other parts of this prospectus) including the following:

(i) *Trading risks*

Our risk and portfolio management philosophy is founded on two guiding principles: (1) to gain exposure to risks associated with the opportunities the Sub-Managers have an edge in exploiting; and (2) to limit all other exposures.

Our volatility arbitrage strategy requires proper risk diversification and strict limits on each spread position, such as:

- setting a strict loss limit on extreme moves in each individual underlying index or stock;
- setting limits on individual volatility (Gamma/Vega) spreads;
- setting limits on net exposure to global changes in expected and actual movement (Vega);
- setting limits on interest rate exposure;
- minimisation of exposure to global market direction (delta) and the direction of individual stocks/indices; and
- minimisation of dividend exposure.

The abovementioned limits and measures for each of our funds and managed accounts are reviewed by our risk committee at least on an annual basis.

Exposures are also monitored in real-time by the Observatory module, the risk management system of our technology platform and regular stress tests are conducted to monitor the potential impact of different exposures. Any breach of any limits would be flagged immediately and

automatically to our risk managers. Trading as a team also helps mitigate the potential for breaches as multiple people in the portfolio management team are continuously watching all positions. We maintain Vega neutral exposures at the overall portfolio level, and delta neutral exposures on individual index levels through futures. Hedging (especially delta) typically occurs multiple times intra-day.

We also examine less apparent risks, such as those associated with corporate actions, stock borrowing fee changes, clearing and settlement procedures, exchange holidays and changes in margin requirements. These risks sometimes present opportunities that can benefit our trading strategy and can also impact the risk profile of the funds adversely.

Our Investment Manager and Sub-Managers operate stop loss or other trading limits for the funds and managed accounts. In addition to applying shocks and scenarios to the overall portfolio, the Investment Manager and Sub-Managers also apply a strategy that operates a strict loss limit on extreme moves in each individual underlying index or stock. We have a strict portfolio-level loss limit on global daily shocks of +10% and -10%.

In addition to the scenario-based risk framework, we apply an estimated -7.5% short duration drawdown guideline for the portfolio. If our portfolio were to experience this magnitude drawdown in a short period (i.e. three months), our overall risk exposure would be (temporarily) reduced by at least 50%. The portfolio risk can be sharply reduced in such instance by neutralising position ‘Greeks’ without eliminating the position on a line-by-line basis.

Both ongoing risks as well as the overall stop-loss are monitored on a continuous basis. With our nearly 24-hour trading day strategy, both co-chief investment officers as well as our risk manager can receive real-time position snapshots on their cellphones at any time.

In respect of managing position concentration risk, we continually maintain positions in around 10 indices. Each underlying instrument has many options through different strikes and maturities, and as a result the number of option instruments in which positions can exist can range between typically 200 to 400, with on average 800 at any time (with the number of options or futures contracts that may be held subject to limits prescribed by applicable laws (for example, the SFO prescribes a limit of 5,000 open futures contracts for any one contract month; please refer to the section “Regulatory and licensing requirements” of this prospectus for further details).

We also maintain limits on volatility (Gamma/Vega) spreads of individual underlying instruments (e.g. indices such as the Hang Seng Index, Eurostoxx 50 index, S&P 500 index etc.). These limits on underlying instruments implicitly lead to limiting regional exposure as each underlying instrument belongs naturally to equity markets of a specific region or country. Nevertheless, we do not set explicit limits on regional exposure per se, whether it is Asia, Europe or the U.S.. Our Vega position limit on relative volatility positions over equity indices for each individual index (irrespective of the region that it belongs to) is 1% of NAV for both long or short positions (i.e. for a fund or managed account with a NAV of USD100 million, exposure on an individual index level shall not exceed USD1 million Vega) with the exception for the S&P500 for which it can be 2%. Furthermore, our overall net Vega position limit is 1% of NAV. The limits have not been breached since the inception of any of our funds or managed accounts.

We have implemented a trade error correction policy. A trade error is: (i) an error in the investment execution/portfolio management decision making process (e.g., a violation of a portfolio's investment guidelines, purchases made with unavailable cash, or sales made with unavailable securities); or (ii) an administrative error (e.g., a portfolio manager/trader executes an order for the wrong security, or for an incorrect amount or number of shares). It is our policy that any trade error should be corrected as soon as possible following discovery. The responsible officer and members of senior management, as appropriate (in respect of our HK Sub-Manager) or the director and/or senior portfolio manager (in respect of our U.S. Sub-Manager and Investment Manager), will determine an appropriate method to correct a trade error in light of all the facts and circumstances. When a trade error is identified, the employee who identifies the error must promptly report it to the responsible officer or an appropriate manager-in-charge of core functions (in respect of our HK Sub-Manager) or a director and/or senior portfolio manager (in respect of our U.S. Sub-Manager and Investment Manager). All material trade errors must be documented. The senior management (in respect of our HK Sub-Manager) or chief compliance officer (in respect of our U.S. Sub-Manager and Investment Manager) will determine whether a trade error is material and will maintain copies of the completed trade error report, including resolution, for monitoring and regulatory purposes. Resolutions of trade errors are handled on a case-by-case basis. Any gain due to a trade error generally will be credited to the investor. At times, we may determine that it is appropriate for an investor to bear the losses from a trade error, but never with respect to any error that is the result of our wilful misconduct or gross negligence, as determined by us in good faith.

We have engaged a firm of independent risk measurement professionals to provide risk reporting and assessment services involving the calculation of risk exposures of our main flagship fund, the True Partner Fund (through review of matters such as gross and net exposures, leverage, sector concentrations and correlations, stress testing, scenario modeling and compliance monitoring) on a monthly basis.

In addition, our prime brokers have implemented trade risk controls to manage and monitor electronic trading. Such controls include suspending or rejecting orders that exceed limits which are based on various factors such as AUM, trading pattern, and volume and frequency of trading. The prime broker's internal controls, including order limits, are subject to regular review.

(ii) Counterparty risk

We consider that our counterparty risk is relatively low as our funds and managed accounts only trade in exchange listed products, and do not trade over-the-counter derivatives.

In respect of the True Partner Fund and the True Partner Volatility Master Fund, counterparty exposure is limited to the prime brokers and the custodian bank. Our co-chief investment officers actively monitor risks relating to the counterparties, including, without limitation, company/parent company news flows, credit default swap rates, stock price and credit ratings. In the event of significant deterioration in one or more of these aspects, the co-chief investment officers will meet with the risk committee as soon as possible to decide a course of action. Potential actions to mitigate risks associated with a specific counterparty include interacting with the relevant counterparty to negotiate additional safeguards; transferring cash balances to other counterparties; purchasing protective instruments such as put options on the relevant counterparty/parent company; and closing out trading positions at that prime broker and/or transferring existing trading positions

BUSINESS

and cash to the other prime broker. The co-chief investment officers report their assessment of each counterparty's risk at least annually to the risk committee and to the directors of the True Partner Fund and the True Partner Volatility Master Fund.

Regular due diligence is also undertaken on our prime brokers and custodian bank in respect of their credit (where applicable), reputation, expertise, performance (in terms of timeliness, responsiveness and accuracy), cybersecurity and any regulatory actions. The due diligence includes face-to-face meetings from time to time. The due diligence reports are presented to the risk committee and the directors of the True Partner Fund and the True Partner Volatility Fund.

Currently, we also have one International Swaps and Derivatives Association (“ISDA”) agreement in place with one of our prime brokers, a global investment bank as our counterparty, which involves currency spot transactions. These currency spot transactions are undertaken for converting non-USD positions and as a backup for converting the True Partner Fund's Euro denominated share classes. No ISDA agreement is required with our second prime broker as no over-the-counter derivatives are traded.

(iii) Liquidity risk

The liquidity of our funds is monitored to ensure redemptions can be timely honoured and margin calls can be immediately met. We continuously monitor risk, including through the following policies and practices which are intended to provide liquidity assurance:

- investor portfolios positions are only actively traded assets listed on internationally regarded exchanges, and derivative products have a maturity of less than six months (this is included as a check in the daily risk report, which the risk manager and co-chief investment officer sign-off);
- redemptions require 20 business days advance notice before the redemption date with proceeds paid 15 business days after the redemption date;
- the administrator advises our Group of all redemptions and subscriptions for the following month, which allows the co-chief investment offices to assess liquidity in the following month;
- the risk manager and the co-chief investment officers attest quarterly that our funds have adhered to the investment guidelines, quant sheets and investment programs and report any exceptions;
- the private placement memorandums and memorandums and articles of association/limited partnership agreements disclose and provide, as a backstop, for a suspension of redemptions should the directors/general partner determine it impractical or prejudicial to the shareholders; and
- the private placement memorandums disclose liquidity risk and we undertake periodic reviews of the effectiveness of our liquidity management policies.

Given the characteristics of our traded instruments (i.e. predominantly equity index options and equity index futures), we consider that the most relevant measure of leverage for our funds and managed accounts would be the margin-to-equity ratio applied at the prime broker level. Over the Track Record Period, our margin-to-equity ratio was, on average, approximately 8.2%, but the ratio generally varies depending on the extent of the opportunities with our margin-to-equity ratio generally increasing when markets are more volatile. The margin-to-equity ratio is calculated and provided on a daily basis by the prime brokers. The maximum margin-to-equity in the private placement memorandums are 60% for the True Partner Volatility Fund, and 70% for the True Partner Fund. To reduce risks associated with margin calls, we generally keep our margin-to-equity ratio to below 60%.

Please see the section headed “Our investment process – Cash management” in this prospectus for information on our cash management policy.

(iv) Operational risk

All of our employees undertake training, as further described in the section headed “Business – Staff – Training of staff” in this prospectus. We consider that they have extensive experience in the financial industry and are aware of most operational risk factors associated with the industry.

In relation to the portfolio managers, real-time position monitoring performed by the other portfolio managers and our risk manager ensures that large position changes are detected.

Our Group materially relies on our co-chief investment officers, Mr. Tobias Benjamin Hekster and Mr. Godefriedus Jelte Heijboer, for the development and execution of our distinctive trading strategy, as well as our chief technology officer, Mr. Roy van Bakel, and our global head of research and development, Mr. Thorsten Gragert, for the development, maintenance and enhancement of our in-house technology platform to support our trading strategy. However, we do not maintain key man insurance. Rather, we implement various measures to ensure sustainability of our business including, without limitation, ensuring that there is considerable overlap in competencies among our senior management and key personnel such that our business is not dependent on any one key personnel. Our Directors consider that any risks related to the loss of any of their services is mitigated by our dual engagement approach, namely (i) both Mr. Hekster and Mr. Heijboer lead our portfolio management teams; and (ii) both Mr. van Bakel and Mr. Gragert lead our technology and software development teams. In the event that we lose the services of one of these individuals, the other responsible person continues to lead and supervise the team, and, in the interim, may train existing or new personnel. In addition, our other internal personnel have extensive knowledge of the implementation of our trading strategy and the development of our technology platform. These personnel are generally subject to (i) three-month termination notice periods under their employment contracts (similar to the length of prior notice we are required to give to terminate their employment), during which period we may find suitably qualified replacements from within or outside our organisation, as well as (ii) non-competition obligations following termination.

Notably, most of our senior management have worked together for many years prior to joining our Group and we believe that a degree of team stability has been formed and will continue to support our Group’s sustainable growth. Several of such senior management members are also

Substantial Shareholders of our Company and theoretically their interests align with that of our Group and should be naturally incentivised to further our business. Separately, we have implemented the Pre-IPO Share Option Scheme and Share Option Scheme in order to recognise the contribution of key personnel and staff and to encourage them to remain with our Group.

Our Group has also implemented and maintained a business continuity and disaster recovery plan (“**BCDR Plan**”) which outlines procedures to guide us in the event of an internal or external emergency or significant business disruption, as further described in the section headed “Business – Risk management – Internal control – Business continuity and disaster recovery” in this prospectus. We have also adopted a cybersecurity program that protects our Group and our investors against any loss, destruction or unauthorised use of our Group’s electronic and data centric assets, as further described in the sections headed “Business – Risk management – Internal control – Incident response plan” and “Business – Risk management – Internal control – Information security policy” in this prospectus.

The Investment Manager and Sub-Managers use a closed computer network for trading workstations and servers with separate firewalls for each location. In general, state-of-the-art firewall protection and virus scanning is active throughout the organisation. Together with our technology consultant and cybersecurity consultant, we continuously evaluate, test and update the protection embedded in our computer networks.

However, there are potential technology risks that we may encounter, including errors due to system failures, programming errors and information inconsistencies. We consider that our use of our proprietary technology significantly reduces our dependence on external technology suppliers. The competence and experience of our IT team also effectively enhances our control over these internal technology risks, for example our IT team has implemented the following measures: fixed set sizes for double-click trading; sounds for each trade; a set maximum order size; pop-up function if the order is less than a certain credit threshold (compared to the theoretical price) and order rejection if the credit is below a second threshold; maximum order size settings by the prime brokers; and tradeable instruments are only configurable by our operations team.

(v) Market risk

We manage market risks in relation to our investors by using our proprietary Observatory real-time risk management system. Our funds’ risk management system is based upon the applicable investment guidelines and quant sheets which follow the investment programs specified in our funds’ private placement memorandums. On at least an annual basis, our funds’ investment portfolios are reviewed to ensure they are consistent with the investment guidelines, quant sheets and investment programs.

Our Investment Manager and Sub-Managers use our proprietary risk management system to monitor market exposures in real-time with regular stress tests performed. In particular, in addition to portfolio diversification, strict limits are set on portfolio losses and Greek exposures (e.g. delta, Gamma and Vega). A monthly report that we prepare for shareholders of our funds and managed accounts includes information on Gross Vega, the current risk profile of the funds and managed accounts.

For our funds, we have also set daily loss parameters for measuring adverse markets changes on a global and individual product basis. Maximum Vega and delta exposure are also set, and a stop loss strategy has been established. We also perform stress tests at least on a daily basis, or on specific or combined scenarios. As a market risk mitigation fail-safe, our risk manager is licensed and authorised to trade in the market.

Recordkeeping

We maintain and have access to records, with such records reasonably safeguarded from loss, alteration and destruction. We make, keep and have available for regulatory inspection certain records that support and explain our activities. Records required to be retained are kept in a form and manner that ensure the authenticity and reliability. All required records are kept for at least seven years and are readily accessible for production or reproduction for the most recent two years.

Certain primary print records are scanned and stored electronically, and certain critical electronic records are also printed and stored. Our internal computer network and data storage are captured on our servers. This infrastructure is virtualised and a complete snapshot is made of all server instances on a daily basis. These snapshots are saved on a redundant server.

Our books and records are inspected annually in order to detect any irregularities and to prevent any book and record violations. Any deficient records are corrected timely and we have a system in place to prevent recurring deficiencies.

Internal control

In order to ensure that we are compliant with SFC, SEC and CFTC requirements in relation to internal controls and management systems, we have adopted certain internal controls and procedures which are implemented as part of our operations. Below are some key internal control procedures which are outlined in our compliance, operational and procedural manuals.

Assessment of internal controls

Regular assessment and improvement are fundamental to our internal controls. Periodic risk assessments are conducted to assess the performance of all staff, the effectiveness of policies and procedures, and the staffing/resources of the review functions (risk, internal control and compliance), as well as to identify where critical risks may arise in our operations. Our operational control risk assessments are undertaken annually, as well as when otherwise necessary to comply with regulatory changes and to address any operational changes of our Group. Our risk assessment addresses the applicable 17 internal control principles specified by the Committee of Sponsoring Organisations of the Treadway Commission (“**COSO**”). If a material control weakness is identified, the weakness and the remediation action taken are recorded and communicated to our senior management, operations team and compliance team without delay. Key areas in conducting internal control risk assessments include segregation of duties, reconciliation and valuation, investor fund transaction processes, market and operational risk management, potential conflicts of interest, investment management/advisory services (objectives and performance), risk management,

BUSINESS

finance and accounting, IT, and compliance and AML/CFT. The annual internal control assessment is presented to a combined meeting of the boards of our Investment Manager and Sub-Managers for review and approval. Our key operational control assessments include the following:

(a) Transaction processes – subscriptions, redemptions and transfers

- Determining with reasonable assurance our Group and administrator are in continuous compliance with the requirements relating to subscriptions, redemptions and transfers, and have appropriate controls in place to safeguard investor assets. Such controls include the following: (i) by performing investor due diligence, we verify that the investors' investments are held in accounts properly titled with the investor's name and are not commingled with the assets of any other person(s); (ii) periodically reconciling transactions between the investor's general ledger, bank accounts, prime broker accounts and administrator accounts; (iii) reviewing the authorisation and verification of redemption requests, that adequate funds are available for redemption, proper NAV calculation, and that the amount of funds are released on a timely basis; and (iv) verifying that no loans have been made from the investor fund accounts to our Group.

(b) Valuations

- Verifying that (i) all investor portfolio products are actively traded exchange listed assets; (ii) only derivatives with a maturity of less than 6 months are traded; and (iii) daily exchange settlement prices are used for valuation.
- Reviewing and approving the administrator's monthly NAV calculations and final valuations using our Group's daily NAV (shadow) calculation.

(c) Market and operational risk management

- Emphasising that our Group's senior management and co-chief investment officers play a direct and primary role in assessing and monitoring market risk and operational risk.
- Reviewing the approval of investment guidelines to ensure that they are properly authorised and consistent with the investment guidelines.
- Reviewing the due diligence undertaken on counterparties and custodians, including the assessment of counterparty's and custodian's reputation, credit standing and regulatory actions.
- Monitoring fund liquidity to ensure redemptions can be honoured and margin calls can be met on a timely basis.

(d) Assessment of the administrator

- Our Group carries out ongoing due diligence on the administrator, including obtaining evidence of a test of controls and security measures conducted on the administrator by an independent auditor.

Investor eligibility procedure

Our HK Sub-Manager's license with the SFC to carry out type 9 (asset management) regulated activities is subject to the condition that we are only allowed to provide services to professional investors as defined in the SFO and its subsidiary legislation. Our Group, with the assistance of our administrator, obtains evidence as to the professional investor status of each investor. To verify an investor's status as a professional investor, we ascertain their total assets or portfolio by sighting a copy of the most recent supporting documents (and not more than 12 months old), including audited accounts, bank statements or custody statements.

With the assistance of our administrator, we carry out certain assessments in writing as set out in the SFC Code of Conduct before taking on corporate professional investors. Any uncertainty around such assessments are brought to the attention of the MIC for compliance. We keep all relevant information and documentation obtained to demonstrate the basis of the assessment.

In respect of individual professional investors, the following procedures are conducted: (i) obtaining written signed declaration from the investor giving consent; (ii) providing full explanation to the investor of the consequences of being treated as a professional investor and that the investor has the right to withdraw from being treated at any time; and (iii) specifying that the investor is treated as a professional investor in a particular product and market and informing the investor that he/she has a right to withdraw from being treated as a professional investor whether in respect of all products or markets or any part thereof (which would cause the termination of the relationship).

We carry out a confirmation exercise annually to ensure that the investor continues to fulfil the requisite requirements under the Professional Investor Rules.

In order to invest in our funds, a U.S. investor must meet certain minimum suitability requirements, including qualifying as an Accredited Investor (as such term is defined in Rule 501 of Regulation D promulgated under the Securities Act), Qualified Client (as defined in Rule 205-3 promulgated under the Advisers Act), Qualified Eligible Person (as defined under Rule 4.7 promulgated under the Commodity Exchange Act, as amended), and Qualified Purchaser (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended).

In connection with an investment in our funds, we require potential investors to complete and certify certain information provided in questionnaires included with the subscription documents.

BUSINESS

Anti-bribery policy and procedures

We have implemented an anti-bribery policy, pursuant to which no employee may offer payments, or anything else of value, to a government official that will assist us in obtaining or retaining business or securing any improper business advantage, including making, promising or offering bribes to maintain existing business relationships or operations. Employees found to have violated our anti-bribery policy will be subject to disciplinary action, which may include termination. We require all employees to report any suspicious activity that may violate this policy to our compliance team (in respect of our HK Sub-Manager) or the chief compliance officer (in respect of our U.S. Sub-Manager and Investment Manager). An employee's failure to report known or suspected violations may itself lead to disciplinary action. Any payment or anything else of value given to a foreign official must be pre-approved by the compliance team/chief compliance officer.

Gifts and entertainment

We have implemented policies on gifts and entertainment. In respect of gifts, it is our policy that employees should not solicit or accept any advantage for themselves or others, from any person or firm having business dealings with us, except that they may accept (but not solicit) the following when offered on a voluntary basis: advertising or promotional gifts or souvenirs of a nominal value; gifts given on festive or special occasions, subject to a maximum limit of HK\$1,000 or US\$100 (or equivalent); or discounts or other special offers given by any person or firm to them as clients, on terms and conditions equally applicable to other clients in general. If an employee wishes to accept any other form of advantage, he/she should seek permission from the compliance team/chief compliance officer. However, an employee should decline an offer of advantage if acceptance could affect his/her objectivity in conducting our business or induce him/her to act against our interests, or acceptance will likely lead to perception or allegation of impropriety.

Employees are prohibited from offering advantages to any director, staff member or agent of another firm or organisation, for the purpose of influencing such person in any dealing, or any public official, whether directly or indirectly through a third party, when conducting our business. Even when an offer of advantage carries no intention of improper influence, it should be ascertained that the intended recipient is permitted by his employer/principal to accept it under the relevant circumstance before the advantage is offered. If an employee is in doubt as to the appropriateness of entertaining or gifts to be offered to a client, then he/she must consult the compliance team/chief compliance officer before entering into any arrangement with the client.

An employee should avoid accepting lavish or frequent entertainment from persons with whom we have business dealing or from his/her subordinates to avoid placing himself/herself in a position of obligation. An employee must not offer any benefit other than normal and reasonable business entertainment to any business relationship or potential business relationship unless the compliance team/chief compliance officer has specifically approved the offering of such benefit.

Political contributions and "pay to play"

It is our policy that contributions to candidates for a public office, a political party or a political action committee by our Group and our employees are made in compliance with the SEC "pay to play" rule, which is a general prohibition on arrangements whereby investment advisers

make political contributions or related payments to government officials in order to be awarded with, or afforded the opportunity to compete for, contracts to manage the assets of public pension plans and other government accounts.

Any contribution to candidates running for U.S. state or local political office, candidates running for U.S. federal office who currently hold a U.S. state or local political office, or to political parties or political action committees that may contribute to such campaigns (collectively, a “**Political Contribution**”) by us or our employees must be made in compliance with applicable laws. We will not make Political Contributions or otherwise endorse or support political parties or candidates (including through intermediary organisations such as political action committees or campaign funds) with the intent of directly or indirectly influencing any investment management relationship.

We require all our employees to obtain pre-approval from the compliance team/chief compliance officer by completing a “Political Contributions Preclearance Form” before making a Political Contribution. Under no circumstances may an employee engage in any of the foregoing activities indirectly, such as by funnelling payments through third parties as a means of circumventing the “pay to play” rule. Upon joining us, each new employee must complete a “New True Partner Employee Political Contributions Disclosure Form”. We review that employee’s prior Political Contributions, and the compliance team/chief compliance officer will determine whether any such past Political Contribution will affect our business.

Insider trading

We have implemented an insider trading policy that applies to every employee and extends to activities outside the scope of his/her duties at our Group. We forbid any employee from engaging in any activities that would be considered illegal insider trading.

We have in place the following insider trading policy restrictions for every employee that may have, or was in possession of, material non-public information (“**MNPI**”). Such employee may not:

- buy or sell any security (or related security) for his/her own or any related account or any account in which an employee may have any direct or indirect interest or any client, or otherwise act upon any MNPI in the employee’s possession obtained from any source;
- buy or sell any security or related security for any account or otherwise act upon any material proprietary information that an employee may have or obtain from any source; and
- recommend the purchase or sale of any security to any person based upon MNPI.

Before trading on his/her own behalf or for others, each employee should consider whether the information in his/her possession is (i) material and (ii) non-public. If an employee believes that the information is material and non-public, or has questions as to whether the information is material and non-public, he/she should:

- report the information and proposed trade immediately to the compliance team/chief compliance officer;

BUSINESS

- not purchase or sell the securities either on behalf of himself/herself or on behalf of others; and
- not communicate the information inside or outside of our Group, other than to the compliance team/chief compliance officer.

After the compliance team/chief compliance officer has reviewed the issue, the employee will be instructed either to continue the prohibitions against trading and communication (because the respective compliance officer has determined that the information is MNPI), or he/she will be allowed to trade the security and communicate the information.

Personal account dealing

We have implemented a personal account dealing policy. Employees must place the interests of investors first and then our Group at all times and avoid, and be seen to avoid, actual or potential conflict between personal interest and duty to clients and to our Group. Time spent on personal investment is to be minimal and always secondary to our Group's needs. Employees must not derive any personal advantage from material information which is not generally available or which is obtained in the course of, or by reason of, employment with us.

The compliance officer may place certain securities on a restricted list ("**Restricted List**"). Employees are prohibited from personally (or on behalf of an investor in the case of our HK Sub-Manager) purchasing or selling securities that appear on the Restricted List. A security may be placed on the Restricted List for a variety of reasons including, but not limited to, the following: our Group is in possession of MNPI about an issuer; an employee is in a position that may be likely to cause us or such employee to receive MNPI; an employee trading in the security may present the appearance of a conflict of interest or an actual conflict of interest; or an investor relationship that involves a senior officer or director of an issuer may present the appearance of a conflict of interest or an actual conflict of interest.

Employees must ensure that all personal account dealings are properly conducted. The personal dealings of employees must be done through an approved outside broker and the employee or broker must provide copies of their account statements to the compliance team/compliance officer.

Within 30 days of joining our Group, each new employee must provide the compliance officer with an initial holdings report for covered accounts (which includes accounts maintained by or for employees, including, among others, accounts maintained by their immediate family members sharing the same household, and accounts for entities in which the employee has at least a 25% beneficial interest) and non-discretionary managed accounts (accounts over which the employee has no direct or indirect trading influence or control), as well as any limited offerings (which includes, among others, investments in private placements, private investment partnerships and shares issued prior to a public distribution). Each employee must also annually provide the compliance officer with an annual holdings report, containing the same information required in the initial holdings report. Each employee must provide to the compliance officer a quarterly transaction report for all reportable securities (which includes a wide variety of investments including stocks, bonds, options, futures, currencies, warrants, commodities and other derivative products) in covered accounts. The

BUSINESS

quarterly transaction report must cover all transactions during the quarter and identify any newly opened covered accounts. Employees must obtain the compliance officer's preclearance for all transactions in covered accounts of reportable securities, including any initial public offer. Employees and their immediate family members must obtain written pre-approval from the designated compliance officer before entering into limited offerings. All personal investments must be held for a minimum of 30 days unless prior written approval is obtained.

Directors and staff must not misuse their official position in our Group to pursue their own private interests, which include both financial and personal interests and those of their family members, relatives, close personal friends or business associates. Directors and staff should not disclose any classified information of our Group without authorisation or misuse any Group information (e.g. unauthorised sale of the information). Those who have access to or are in control of such information, including information in our Group's computer system, should protect the information from unauthorised disclosure or misuse.

The compliance officer must review the holdings reports, transaction reports, and the preclearance forms to determine whether any violations of our policies or applicable securities laws have occurred. If there are any discrepancies between holdings reports, transaction reports or preclearance forms, the compliance officer must contact the responsible employee to resolve the discrepancy. If we determine that an employee has violated our personal account dealing policies, such employee may be subject to disciplinary action or restrictions on further trading.

Employees must inform the compliance officer promptly of any situation involving the following: any matter that may lead to a claim against our Group; any improper conduct by other employees or directors; any breaches of our license conditions (if any); any breaches of securities laws and regulations; any breaches of our compliance manual; and in respect of our HK Sub-Manager, any changes to information provided on the initial application to the SFC for becoming a licensed representative, as well as any other change or event required to be notified to the SFC under section 135 of the SFO.

If it is determined that an employee has violated any provision of our compliance manual, we may impose sanctions and/or take other action as deemed appropriate. These actions may include, among other things, a letter of caution or warning, suspension or termination of employment, and/or notification to the SFC, SEC, NFA or CFTC.

Soft dollars

Our Investment Manager and Sub-Managers have each implemented policies on "soft dollars", a term generally used to describe an arrangement or agreement that involves a transaction between an investment advisor with discretion over client accounts and a sell-side broker whereby the broker provides the advisor with research and/or other services in return for commission dollars paid through executing transactions.

Although it is not currently anticipated, our HK Sub-Manager may receive goods or services from a broker in consideration of directing transaction business on behalf of the client to the broker only if: (a) the goods or services are of demonstrable benefit to the clients; (b) transaction execution is consistent with best execution standards; (c) the client has consented in writing to the receipt of

the goods and services; and (d) disclosure is made for receiving the goods and services, including a description of the goods and services received. Our HK Sub-Manager may retain cash or money rebates only if: (a) the client has consented in writing to the retention of rebates; (b) brokerage rates are not in excess of customary full-service brokerage rates; and (c) disclosure of the rebates and their approximate value is made transparent to the client. Our HK Sub-Manager will ensure that any “soft dollar” transactions are at arm’s length terms and in the best interests of the client.

Our U.S. Sub-Manager may use brokerage commissions solely to purchase services that are within section 28(e) of the Exchange Act, which establishes a safe harbour allowing investment advisors to use client funds to purchase “brokerage and research services” for their brokerage accounts under certain circumstances without breaching their fiduciary duties to clients. To determine whether a particular product or service falls within the safe harbour, the following steps must be undertaken: (i) determination of whether the product or service falls within the specific statutory limits of section 28(e)(3), that is whether it is eligible “research” or eligible “brokerage”; (ii) determination of whether the eligible product or service actually provides lawful and appropriate assistance in the performance of the investment decision-making responsibilities; and (iii) a good faith determination that the amount of client commissions paid is reasonable in light of the value of products or services provided by the broker-dealer. Further, our U.S. Sub-Manager will make a good faith determination that the amount of any commission paid is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer. Our U.S. Sub-Manager has disclosed in SEC Form ADV and in the relevant private placement memorandum that it may have an incentive to favour broker-dealers that provide capital introduction services for a fund offered to us or refer possible investors.

Business continuity and disaster recovery

Our BCDR Plan outlines procedures in the event of an internal or external emergency or significant business disruption. Our architecture and geographical positioning enable us to respond to business continuity issues by requesting the other office (our Chicago or Hong Kong office) to assume its operations until it can recover. We have designated a primary emergency contact for each of our Hong Kong and Chicago offices, who have full authority and responsibility to coordinate all safety, assessment, affiliate switchover and restoration efforts, including contacting essential parties.

Our trading system configuration allows either our Hong Kong or Chicago offices to assume the trading responsibility of the other office. In the event a business disruption occurs, employees will be directed to leave the office immediately and work remotely from home. All senior portfolio managers based in Hong Kong and Chicago have secure remote access to our trading system. Disruptions to our trading system will cause safety settings to disengage any automatic trading. In the event of trading system failure, market access will be via voice brokers.

Protection of our data, books and records is essential. Our servers are located in Amsterdam, Hong Kong and Chicago, and each location retains all trading data and models, replicated in almost real-time. Infrastructure is also virtualised – a complete snapshot is made of all server instances daily, and these snapshots are saved on redundant servers and available in the event the primary servers are compromised. Essential trading data, including portfolio positions, is also kept at the prime brokers. All essential client investor documents and data are kept at the fund administrator,

Maples Fund Services (Cayman) Ltd and its affiliates, which maintain a separately located mirrored data centre with daily back-ups. All accounting books and records are periodically sent to off-site storage in Hong Kong.

Where a disaster is severe and timely recovery is uncertain, all portfolios would first be neutralised with due care and immediacy, and then all open positions would be closed with due care and immediacy. For client funds which we manage, a decision would be made whether a winding-up would commence. For other investor managed accounts and funds, we would report the circumstances and rely on investor directions. Effectiveness reviews of the BCDR Plan are conducted and recorded annually, and the plan is updated when necessary, including in response to material operational changes.

The above BCDR Plan is designed to enable our operations to be resilient against major disruptions which could be caused by, without limitation, epidemic, pandemic and/or outbreak of infectious diseases and any other related or mutated forms of infectious diseases (or the escalation and/or intensification of any outbreak, epidemic and/or pandemic of the foregoing). As such, our operations were not materially affected by the global pandemic coronavirus (2019-nCov) given the existing redundancies in terms of trading and execution capabilities (which enable our Group to operate our single book portfolio across our global offices in different time zones without disruptions) and key personnel and fund managers were able to work from home and access our trading systems through secure remote means.

Incident response plan

We have adopted an incident response plan which consists of a baseline framework to provide personnel (including all employees, temporary staff, consultants, contractors and third-party vendors) guidance regarding the handling of security incidents within our Group. Security incidents that may occur include, without limitation, malicious software, data breach, system breach, theft of a laptop or mobile device, and social engineering. The objectives of the plan are to document the current status of our incident response capabilities and methodology, provide a framework for future improvements as required, and document, track, monitor, and review information security incidents and/or breaches. We have a designated head information security coordinator and two additional individuals to act as information security coordinators.

Under our incident response plan, the individual who detects the possible security event must contact the head information security coordinator or IT support within one hour of detection, and must provide them with specified information. The coordinators and IT support will confirm the details and determine the best approach to resolve the problem, and will carry out the following: (i) identify the members of the security event response team required (such as data owners, external vendors, consultants, and/or other external entities, including legal, regulators, public relations and law enforcement); (ii) identify what technical mitigation steps are required; and (iii) document all steps as required. When the event is considered mitigated, the head information security coordinator or IT support will co-ordinate with all affected users to confirm a return to full functionality. After 24-hours of operational functionality (without further incident), an “event all clear” state may be announced, following which a security event/incident management report will be finalised and distributed to all parties involved and management as appropriate.

Information security policy

We have adopted a written information security policy in accordance with the increased regulatory attention to the process of protecting information by preventing, detecting, and responding to the loss of sensitive data in the investment management space. The policy serves to protect our sensitive data, which includes, but is not limited to, any data that is non-public Group information such as client data, pricing models, network diagrams, employee information, intellectual property, contracts, email, agreements and our financial information. Our chief technology officer, Roy van Bakel, is responsible for coordinating and maintaining our information security policy, and our compliance team members are responsible for assisting the chief technology officer in administering the policy and the procedures adopted therein.

Each employee who has access to sensitive data is responsible for the confidentiality, integrity and availability of the data. If our compliance officer determines that an employee or third-party has committed a violation of our information security policy, the compliance officer or members of senior management may impose sanctions and/or take other action as deemed appropriate, which may include termination of employment or contract.

Access to sensitive data and our network is granted on an “as needed” basis. We have established a formal registration procedure for granting and revoking access to sensitive data. The process to grant access rights to our network requires issuing each user a unique user ID, as well as permission folders and sensitive data access based on the employee’s business purpose. We have the following controls in place to protect our network access: (a) authenticating remote user access to our network through a two factor identity verification process; and (b) implementing routing network controls to business applications. We utilise the following operating system access controls: (a) requiring a secure log-on process; (b) requiring use of a password management system; (c) locking and shutting down user connection sessions after a period of inactivity; and (d) restricting connection times. We also monitor physical access to our offices with various controls.

Confidential sensitive data cannot be disclosed to any other individual without documented appropriate permission from our management. Employees must use a password to control access to sensitive data and the systems and devices that store, process and transmit sensitive data. We have detailed password guidelines and standards in place. We have also implemented controls that ensure sensitive data (both paper and electronic technology assets) are properly disposed of when no longer needed, as well as to ensure that sensitive data is protected on mobile devices in the event of loss, theft, or unauthorised use. Further, we have standards in place concerning the protection of sensitive data on removable media (including USB drives, flash memory cards and portable hard drives).

BUSINESS

Upon hiring a new employee, the following procedures are carried out to protect sensitive data: (i) training for the new employee so he/she will be aware and comply with all internal policies, rules and regulations, as required by our Group; (ii) adherence to confidentiality and non-disclosure obligations; and (iii) if applicable, adherence to any confidentiality obligation of a previous employer and full disclosure of any non-competition obligation to a previous employer. When an employee departs from our Group, the following procedures are carried out a: (i) review of the departing employee's non-disclosure agreement with the departing employee; (ii) deletion or disablement of access rights to our network; and (iii) return of all equipment and mobile devices owned by our Group. We have also implemented access controls and confidentiality standards guidelines for relationships with designated critical third-party vendors.

We have implemented a framework for ensuring that all systems and applications are kept up-to-date with critical security patches. We rely on Connect and Exchange to provide information on patches that are released that affect our systems, such as vendor or information security mailing lists. On behalf of our Group, our cybersecurity service provider performs technical assessments, such as vulnerability assessments, to identify systems that may be missing required patches in a manner that will not adversely impact production systems on a semi-annual basis. We have implemented procedures to manage vulnerabilities, which are flaws or weaknesses in the system's security procedures, design, implementation or internal controls, that could be exercised and result in a security breach or a violation of the system's security policy.

COMPLIANCE AND LITIGATION

We operate in a highly regulated industry and place a strong emphasis on internal controls and compliance. The principal regulatory bodies governing our Group's business are the Hong Kong SFC, the U.S. SEC and the U.S. CFTC. Our Group's businesses are subject to a number of legislations and regulations, as well as rules, codes and guidelines issued by these regulatory authorities. For further information, please see the section headed "Regulatory and licensing requirements" in this prospectus.

During the Track Record Period and up to the Latest Practicable Date, neither our Company nor any of our subsidiaries was engaged in any litigation, claim or arbitration proceeding of material importance, and no litigation, claim or arbitration proceeding of material importance was known to our Directors to be pending or threatened against our Company or any of our subsidiaries which would have a material adverse and effect on our reputation, business, results of operations or financial condition.

Our Directors confirm that our Group has complied with all applicable legislations, regulations, rules, codes, guidelines, and permits and licence requirements in Hong Kong and the United States (being the principal two jurisdictions 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.

External review of compliance

As statutory regulators, the SFC and the SEC have the power to carry out inspections and reviews on licensed corporations and registered investment advisers (as applicable) at any time to ensure their compliance with relevant laws and regulations as well as codes and guidelines prescribed by the SFC and the SEC (as applicable). All records of an investment adviser are subject to examination by SEC staff. As our HK Sub-Manager is an SFC licensed corporation and our U.S. Sub-Manager is an SEC registered investment adviser, we may be subject to such inspections and reviews from time to time. Our Directors confirm that our Group has complied with all applicable laws and regulations in Hong Kong and the United States (being the principal jurisdictions 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.

In October 2016, the SFC undertook a routine inspection of our HK Sub-Manager. On 27 January 2017, we received a letter from the SFC which did not raise any concerns. In July 2017, the SEC carried out a limited scope examination of our U.S. Sub-Manager. On 30 August 2017, we received a no-action letter from the SEC.

In October 2019, we engaged an independent internal control consultant to conduct a review of the internal control system of our Group, and we have implemented and will continue to implement the relevant internal control recommendations.

Non-compliance incidents

During the Track Record Period and up to the Latest Practicable Date, we were not involved in non-compliance incidents which we believe will have any material adverse effect on our operations and financial condition.

Our Directors confirmed that our Group had obtained all the necessary licenses, permits, registrations and approvals which were required to carry on our Group's business activities as set out in this prospectus as at the Latest Practicable Date. For information on our Group's licenses, permits, registrations and approvals as at the Latest Practicable Date to carry on our Group's business activities as described in this prospectus, please see the section headed "Business – Licenses and registrations for providing investment management services" in this prospectus.

Our Directors further confirmed that, to the best of their knowledge after due enquiry, during the Track Record Period, our Group (i) had not failed, or received any objection from the SFC, the SEC or other relevant competent authorities in applying for SFC licences and SEC registrations; and (ii) had not committed any offence, violation or breach of laws or regulations in all relevant jurisdictions where it operates.

BUSINESS

Our compliance team consists of two members, namely our chief compliance officer Mr. Edward Donnellan and our chief financial officer Ms. Doris Wong, located in the United States and Hong Kong, respectively. Mr. Donnellan, who is independent of all operational and business functions, is responsible for compliance at our Investment Manager and U.S. Sub-Manager. Ms. Wong is the designated compliance officer of our HK Sub-Manager. They are both responsible for the compliance manuals and code of ethics to ensure our regulated/licensed companies' compliance with applicable regulations, as well as for ensuring all material matters are identified, rectified/remedied, and where appropriate, reported on a timely basis to the relevant regulator(s). Ms. Wong's responsibilities cover SFC regulations whereas Mr. Donnellan's responsibilities cover CFTC/NFA, SEC and Central Bank of Ireland regulations. They also work together on adhering to the Cayman Islands Monetary Authority requirements. For more information on our compliance team, please see the section headed "Business – Our team and our organisation structure – Compliance team" in this prospectus.

We have engaged a global consultancy firm to provide regulatory compliance consulting services relating to the rules and regulations with respect to the SFC, SEC, CFTC and the Alternative Investment Fund Managers Directive as well as to provide cybersecurity services.

Anti-money laundering and counter-terrorist financing

We have implemented policies and procedures to ensure our compliance with Hong Kong and U.S. AML legislation and regulations. Our AML training forms part of our Company's and Sub-Managers' initiation and training program for new employees as well as annual regulatory training which is provided to our staff.

In respect of our U.S. Sub-Manager and Investment Manager, we have adopted an AML Program ("AML Program") to comply with our obligations. Our chief compliance officer is responsible for overseeing compliance with the AML Program, which includes procedures that apply to existing and prospective investors in the funds launched by us. For the True Partner Fund and the True Partner Volatility Fund, we have delegated certain AML review responsibilities of the funds investors to a Third-Party Administrator ("TPA"). Our own attested AML Program includes:

- the appointment of an AML officer (our chief compliance officer serves as our AML compliance officer);
- the appointment of compliance officers;
- the collection of KYC documentations for each investor, which includes the verification of identity of ultimate beneficial owners, the collection of individual self-certification or entity self-certification forms for each such investor, and reviewing forms for accuracy and completeness and requesting additional documentation to resolve discrepancies;
- the maintenance of KYC documentations for the duration of the TPA's relationship with us and for a minimum of six years after the termination of the relationship (the TPA may only disclose such information upon written request to do so and in order to ensure compliance with regulatory, law enforcement or independent audit requirements);

BUSINESS

- the implementation of systems and processes that are designed to identify higher-risk elements. This includes, but is not limited to, politically exposed persons and higher-risk jurisdictions. The TPA does not permit business relationships with shell banks. Appropriate enhanced due diligence measures are undertaken whenever a higher-risk element is identified;
- the daily monitoring of investors' and related compliance parties' names against global sanctions and watch lists. This includes, but is not limited to, the various lists published by the United Nations Security Council Committee, UK Treasury and the U.S. Office of Foreign Asset Control; and
- annual training of all relevant employees in AML procedures.

In addition to providing an annual attestation that undertakes the above measures, the TPA also provides a suitable audited annual report relating to its AML Program.

Our HK Sub-Manager has set out comprehensive policy and procedures on money laundering and terrorist financing in its compliance manual. The senior management of our HK Sub-Manager ensure the implementation of AML/CFT systems, including through the delegation of AML/CFT duties to an administrator as well as the appointment of a MIC for AML who also fills the role of money laundering reporting officer (“MLRO”). The MIC for AML acts as a focal point for our HK Sub-Manager overseeing all AML/CFT-related activities and providing support to the senior management to ensure AML/CFT risks are adequately identified, understood and managed. The MLRO acts as a central reference point for reporting suspicious transactions and the main point of contact with law enforcement agencies. Notwithstanding the delegation to an administrator, the AML/CFT responsibilities and obligations of our HK Sub-Manager and our funds and managed accounts it manages remain with our HK Sub-Manager.

We and an administrator have established a risk-based approach customer acceptance policy which aims to identify the types of customers (being clients and investors) that are likely to pose a higher than average risk of money laundering and terrorist financing. The basic principle of our risk-based approach is that an enhanced customer due diligence process is adopted for higher risk categories of customers, business relationships or transactions. In determining the risk profile of a particular customer, our Group takes into account risk factors such as, without limitation, the background or profile of the customer; the nature and scope of their business; their origin, the place of establishment of their business and the location of their counterparties; the complexity of their ownership structure; the means of payment and type of payment; their reputation; and the mode of our business relationship with them.

BUSINESS

In general, the identity of the customer and beneficial owner should be verified before establishing a business relationship with them. Our Group's customer due diligence process comprises the following:

- (i) identification of the customer and verification of the customer's identity using documents, data or information provided by a reliable and independent source;
- (ii) where there is a beneficial owner in relation to the customer, identification of and taking reasonable measures to verify the beneficial owner's identity;
- (iii) obtaining information on the purpose and intended nature of the business relationship (if any) established with us unless the purpose and intended nature are obvious;
- (iv) if a person purports to act on behalf of the customer: (a) identification of the person and taking reasonable measures to verify the person's identity using documents, data or information provided by a reliable and independent source; and (b) verification of the person's authority to act on behalf of the customer.

Our HK Sub-Manager reviews existing customer due diligence records annually and/or upon trigger events to ensure documents and information relating to a customer are up-to-date and relevant. We maintain all necessary records on transactions for at least five years. We also conduct appropriate scrutiny of transactions carried out for a customer to ensure they are consistent with our knowledge of the customer, the customer's business, risk profile and source of funds. Our HK Sub-Manager monitors subscriptions and redemptions in our funds and managed accounts to identify if there are any suspicious transactions to be reported to Hong Kong's Joint Financial Intelligence Unit.

INTELLECTUAL PROPERTY

Domain name

As at the Latest Practicable Date, our Group had registered the following domain name which are considered by our Directors to be material to our Group's business:





Domain name	Registrant	Date of registration	Expiry date
truepartnercapital.com	True Partner Holding Limited	3 October 2015	3 October 2022

Information contained in the above website does not form part of this prospectus.

BUSINESS

Trademarks

As at the Latest Practicable Date, our Group had registered the following trademark with the Trade Mark Registry of Hong Kong in relation to our business:

Trademark	Registered owner	Class	Registration number	Expiry date
	True Partner Fund	36 (financial affairs)	302071197	27 October 2021
	True Partner Holding Limited	36 (financial affairs)	302071151	27 October 2021
	True Partner Consulting Limited (formerly known as True Partner Education Limited)	41 (education, providing of training)	302059821	16 October 2021
	T8 Software Consulting Limited	42 (design and development of computer hardware and software)	302071296	27 October 2021

As at the Latest Practicable Date, we have made application to the Trade Mark Registry of Hong Kong for the registration of the following trademark which in the opinion of our Directors, is material to our Group's business:

Trademark	Applicant	Class	Application number	Application date
	True Partner Capital Holding Limited	36	305204105	2 March 2020

Except for the abovementioned trademarks and domain name, our Group does not own any other intellectual property rights which are material to the business of our Group. We have not registered any intellectual property rights in respect of the trading software that we have developed in-house. However, under Hong Kong law, copyright typically arises without the need of its owner to register its copyright first. Please see the section 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 risks relating to intellectual property rights.

BUSINESS

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. Details of our intellectual property rights are set out in the section headed “Appendix IV – Statutory and General Information – B. Further Information about the Group – 2. Intellectual property rights of our Group” in this prospectus.

PROPERTIES

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

We occupy certain premises in Hong Kong, the United States and the Netherlands in connection with our business operations. These properties are used as offices, and for non-property activities as defined under Rule 8.01(2) of the Listing Rules.

Details of premises we occupied as at the Latest Practicable Date are summarised below:

Location	Tenant/occupant	Description	Usage	Term
Suite 2902–03, 29/F, The Gateway, Tower 2, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong ⁽¹⁾	True Partner Holding Limited	The property comprises of office space with a total area of approximately 2,236 square feet gross. The property is leased pursuant to a tenancy agreement.	Office	3 years from 1 April 2019 to 31 March 2022
Office numbers 17011-17012, 111 West Jackson Boulevard, Chicago, 60604, United States	True Partner Capital USA, LLC	We entered into a office service agreements for the provision of serviced office accommodation in a business centre. Under the agreements, the provider gives us the right to share with the provider the use of the business centre.	Office	In respect of office number 17011, one year from August 2019 to 30 June 2020 and in respect of office number 17012, one year from 1 March 2020 to 28 February 2021
Room B0.04, Beursgebouw, Beursplein 5, 1012 JW Amsterdam, Netherlands	T8 Software Consulting Limited	The property comprises of office space with a total area of approximately 56 square metres. This property is leased pursuant to a tenancy agreement.	Office	3 years from 3 June 2016 to 31 May 2018, and then continued annually

Note:

- (1) Our Group moved offices in Hong Kong in June 2019. Our Group's previous Hong Kong office was also located in Tsim Sha Tsui, Kowloon.

BUSINESS

For the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020, our total rental and related expenses incurred were approximately HK\$3.0 million and HK\$2.9 million, HK\$0.7 million and HK\$0.6 million, respectively.

INSURANCE

Over the Track Record Period and up to the Latest Practicable Date, we have maintained the following insurance with insurance providers:

- (i) employee compensation insurance for our staff working in Hong Kong from time to time in accordance with the requirements of the Employee's Compensation Ordinance;
- (ii) employee compensation insurance for our employees as required under applicable laws;
- (iii) basic medical insurance for employees;
- (iv) in respect of True Partner Holding Limited, business protection insurance covering office contents, business interruption, money, public liability and employees' compensation;
- (v) in respect of True Partner Capital USA, LLC, commercial general liability insurance, covering bodily injury and property damage liability, personal injury and advertising bodily injury liability, and medical payments;
- (vi) in respect of True Partner Fund, True Partner Onshore Fund, LP (from 1 August 2019), True Partner Offshore Fund (from 1 August 2019), co-branded fund A, True Partner Volatility Fund, True Partner Volatility Master Fund, True Partner Volatility Fund GP, LLC, True Partner Volatility US Fund, LP and their subsidiary companies, director, officer and fund liability insurance covering individual legal risk, UCITS managerial liability, UCITS product liability, indemnification, individual regulatory risk, fund legal and regulatory risk, and mitigation; and
- (vii) in respect of True Partner Advisor Hong Kong Limited, True Partner Advisor Limited, True Partner Capital USA Holding Inc., True Partner Capital USA, LLC, True Partner Holding Ltd and their subsidiary companies, alternative investment fund managers ("AIFM") professional liability risks insurance covering legal risk, mitigation, direct fraud risk, operational risk, regulatory risk, loss of documents, U.S. Employment Retirement Income Security Act 1974 ("ERISA") fiduciary liability, employment risk, fund indemnification, and U.S. CFTC fund director indemnification.

As we are licensed with the SFC to carry on type 9 (asset management) regulated activities, we are not subject to the insurance requirements of the Securities and Futures (Insurance) Rules (Cap. 571AI of the laws of Hong Kong).

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. 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.

BUSINESS

RESEARCH AND DEVELOPMENT

Through our technology and software development teams, we undertake research and development for the purpose of developing our own in-house proprietary trading software. Our funds utilise our self-developed trading software for trading, execution, portfolio management and risk management purposes. Further, we undertake quantitative research to enhance our trading strategies. Please see the sections headed “Business – Our technology platform – Our technology and software development teams” and “Business – Our technology platform – Quantitative research” in this prospectus for further information.

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Due to our business nature, we are not subject to significant health, safety or environmental risks. We have implemented a policy on safety and accidents covering office safety policies, severe weather conditions arrangements, fire safety, procedures for any workplace accidents resulting in personal injury, and employee compensation for injury at work. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material accidents, claims for personal or property damage or compensation to employees and we did not experience any material non-compliance of health and work safety.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

We have implemented an environmental, social and corporate governance (“ESG”) policy. The ESG policy is based on evaluations which are principally consistent with and supportive of the United Nations Principles of Responsible Investment. ESG issues are critical components in the product selection evaluation. Our core trading products are listed equity index futures and options, and we also trade large cap listed options and the underlying securities. The equity index futures and options, and the constituent securities of the equity indices, that we trade are listed on exchanges in the U.S., the European Union, Taiwan, Hong Kong, Republic of Korea, Japan, Singapore and Australia. When we consider adding an equity index, we integrate in our evaluation an analysis of the Country Sustainability Ranking of RobecoSAM for the countries where the equity index options and futures, and the constituent securities of the equity index, are listed. In addition, the constituent securities of the equity indices that we trade are listed on a United Nations Sustainable Stock Exchange (“UN SSE”). When we consider trading a large cap listed option and underlying securities, we give due consideration to the Restricted Investment List of APG Asset Management. In addition, the options and the underlying securities that we trade are listed on a UN SSE.

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

In the section headed “Business – Our investment approach”, we have provided an overview of our global equity relative value volatility strategy and approach (involving active trading across global equity markets through a global book with real-time monitoring of market exposures and opportunities around the clock). We then provide an overview of our investment process as well as how our technology platform complements our trading process in the sections headed “Business – Our investment process” and “Business – Our technology platform”. In this section, we aim to provide a more simplistic explanation of long and short volatility positions, and relative value strategies as well as provide an illustration of our trading process involving the execution of our trading strategy by experienced trading personnel with the support of our proprietary technology platform.

We are involved in the buying and selling of exchange listed options (including equity index options with less than six months maturity and large cap single stock options) across major markets and different time zones over a single book. When buying an option, we pay a premium to the seller and acquire the right (i.e. to decide whether to buy or sell the underlying asset (stock/index) at the agreed price before the option contract expires) and are said to be “long” in that option (i.e. long volatility). When selling an option, we receive the premium and grant the right to the buyer (i.e. we are in a passive position, and will have to perform the agreement to buy or sell the underlying asset (stock/index) if so requested by the buyer before the option expires) and are said to be “short” in that option (i.e. short volatility). We may buy call options (which gives the holder the right to buy) or put options (which gives the holder the right to sell) in respect the underlying investment (i.e. equity index or stock) for a predetermined price by a set date.

When we refer to “selling” option contracts in the prospectus, this may be a reference to either:

- (i) entering into an exchange traded option contract which grants the buyer the right to buy or sell the underlying assets (stock/index) at a predetermined price prior to expiry of that option, and this may also be referred to as “writing” an option contract; or
- (ii) trading or disposing of an existing exchange-traded option contract which has been previously purchased (i.e. reducing an existing long position in the relevant option contract).

Long volatility positions

In buying an option, we have to pay a “premium” (i.e. an upfront payment) to the writer/seller of the option. The premium price of an option of an underlying stock or index in general depends on the underlying price, the strike price, the maturity, the dividend and interest rate, all of which are easy to obtain. Apart from that, the price of an option is primarily driven by supply and demand of the option in the market, and among others, defined by general historical volatility (i.e. actual volatility demonstrated over a period of time) as well as other data, and such price reflects the implied volatility (i.e. the expected level of volatility of the underlying instrument that is implied by current option price). In general, the higher the expected future/implied volatility, the higher the “premium” or option price, whereas depressed levels of expected future/implied volatility will result in a lower option price. The value of an option will decay over time (i.e. time decay) as due to increasing certainty as the option approaches its expiry date.

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

The following is a simple hypothetical example as to how a trader could profit from buying a call option relating to shares of a hypothetical stock ABC (please note, the same concept applies for index options as well):

If a trader buys a call option to purchase the stock of ABC with an exercise price of HK\$250 and premium of HK\$5, the premium reflects the seller's sentiment of future volatility in its stock (which may be affected by such factors as, for example, upcoming reporting of earnings) but there is no certainty whether such pricing is undervalued or overvalued. A trader may look at historical data or realised volatility to assist with its determination as to whether the price is fair, undervalued or overpriced.

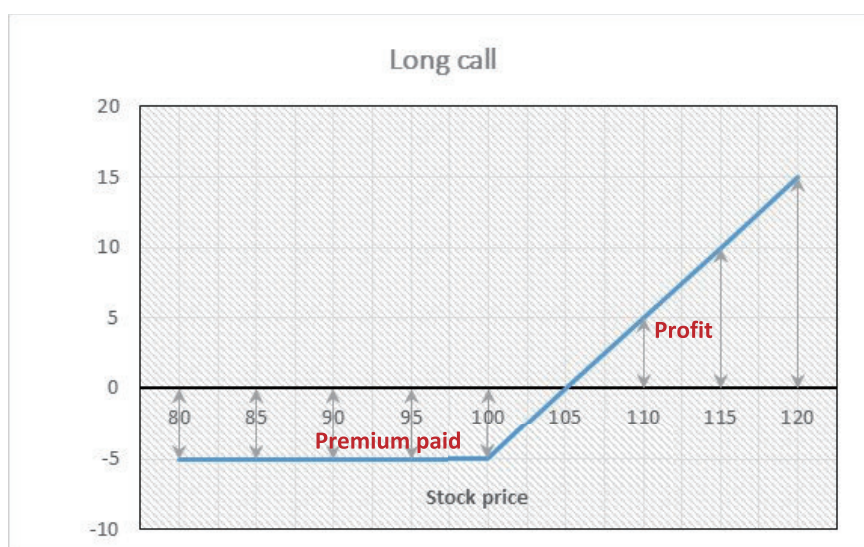
The potential upside for the trader if the share price of ABC increases significantly (say to HK\$300) would be the share price of ABC on expiry of the option less the exercise price and premium paid (or, HK\$45). The potential downside for the trader if the share price of ABC does not change or drops significantly (in which case the trader will not exercise the call option) would be limited to the cost of the premium paid (or HK\$5).

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

The above illustrates an asymmetry with regards to potential movement. Higher favourable movement (for the owner of a call option, a rise in the share price of ABC) would result in a higher upside for the trader. However, higher unfavourable movement (for the owner of a call, a decline in the share price of ABC) would result in the same downside as that downside is limited to the cost of the option (i.e. downside limited to the cost of buying options vs. potential unlimited upside). This asymmetry explains why higher expected movement (implied volatility) corresponds with higher option premium.

Long volatility positions could be utilised by option buyers irrespective of the direction of movements of underlying assets (i.e. put options could be bought to hedge against sharp market downturns), and could sometimes be viewed as paying premiums for insurance-like protection against large market movements that might hurt their portfolios.

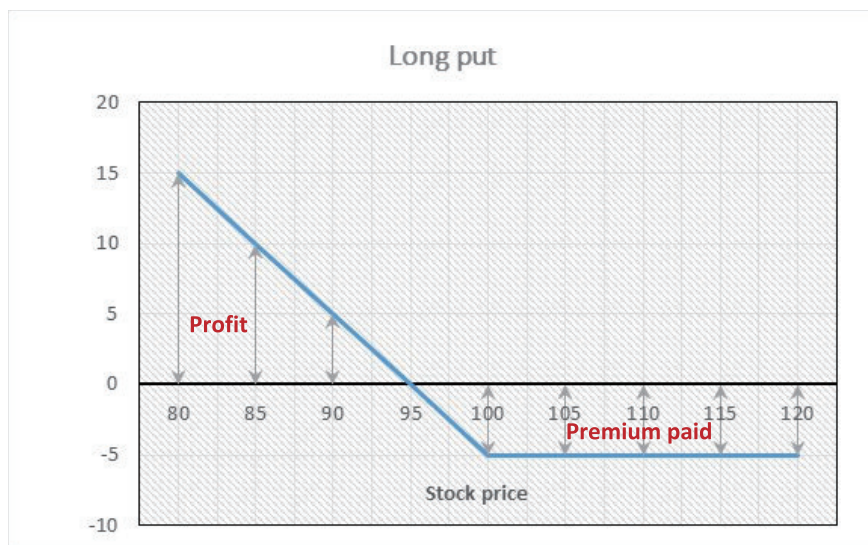
The following graph illustrates the payoff in respect of an acquired call option with a premium of HK\$5 and strike price of HK\$100.



To the extent the underlying stock price of the option exceeds HK\$105 (being the total of the strike price plus the cost of the premium of HK\$5), the holder of the option will make a profit upon the exercise of the option. Where the underlying stock of the option does not exceed HK\$100, the option holder would not exercise the option and its total loss upon lapse of the option is up to the paid premium of HK\$5.

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

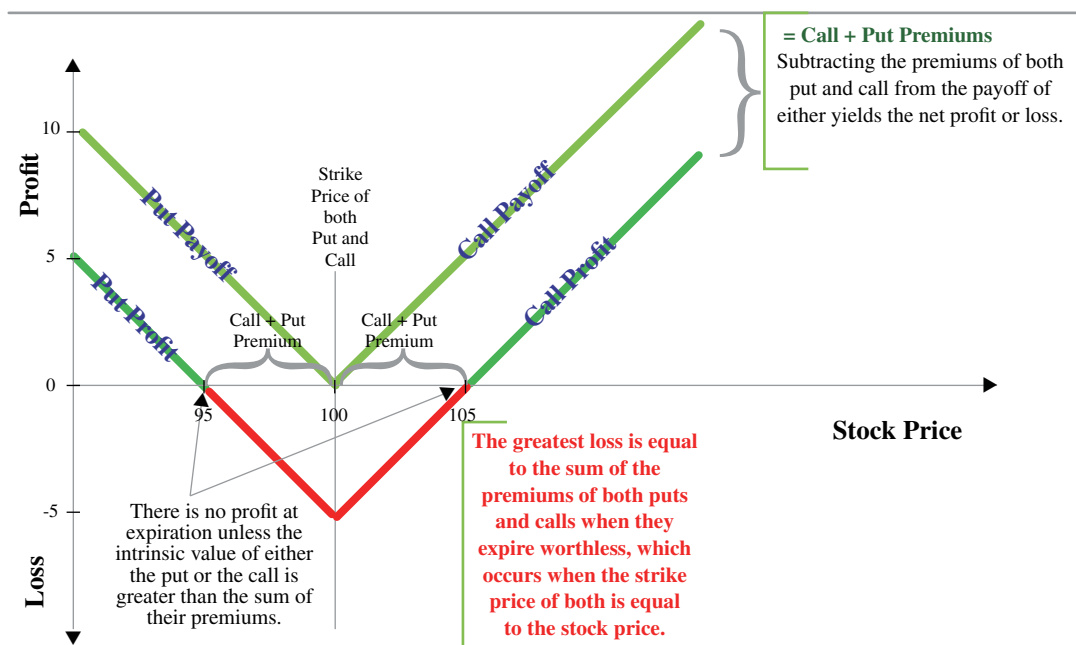
The following graph illustrates the payoff in respect of an acquired put option with a premium of HK\$5 and strike price of HK\$100.



To the extent the underlying stock price of the option drops below HK\$95 (being the total of the strike price less the cost of the premium of HK\$5), the holder of the option will make a profit upon the exercise of the option. Where the underlying stock of the option does not drop below HK\$95, the option holder would not exercise the option and its total loss upon lapse of the option is up to the paid premium of HK\$5.

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

The following chart illustrates the potential return and risk profile for a long position involving the buying of both call and put options (combining a long call and the long put creates a position which would benefit from either upward or downward movement):



For an option holder who holds a long position (or either call or put option), the pay-off increases where there is an increase in price movement of the option contract. Therefore, where there is an expectation that there will be increase in volatility of the relevant underlying indices (i.e. an increase in implied volatility), then intuitively the more valuable the relevant options contracts will be, as there will be an increase in demand for these options contracts (as there will be more market participants holding a view to profit from holding a long position in these contracts).

Short volatility positions

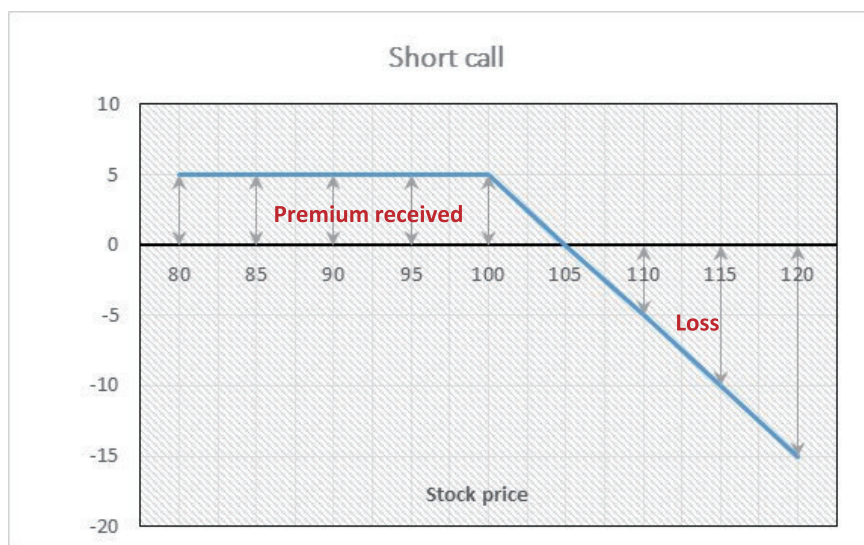
Option selling or “short volatility” positions intend to earn the options “premium” (i.e. upfront payment) received from selling the option. Much like a writer of insurance, option sellers are effectively betting against infrequent but high impact movements in the underlying asset (which by definition does not often happen), so option selling tends to show periods of stable positive returns (generated by earning option premiums), punctuated by short, sharp losses in highly volatile markets (similar to the insurance policy paying out in the analogy to the writer of insurance). Hence, the asymmetric payoff profile of short volatility strategies involve limited upside from charging of premiums on options vs. potential unlimited downside.

In the above hypothetical ABC example, (i) in the event of a sharp increase in the price of ABC to HK\$300, the option selling counterparty would be required to sell ABC shares, whereas the prevailing value is HK\$300. Despite earning a premium of HK\$5, the position results in a loss of HK\$45; but (ii) where the price of ABC remains unchanged or declines (and the call option is not exercised), the option seller would have earned HK\$5 premium for taking the risk.

Such short volatility strategies (which are essentially betting that future realised volatility will turn out to be lower than what is currently implied by the option price) benefit from periods of long stable bull equity market with limited volatility, but the risk and return characteristics can vary greatly with change in market conditions, when sudden sharp losses may occur. An example of such losses occurred in March 2020, when short volatility strategies were badly hurt by sudden equity market sell-off.

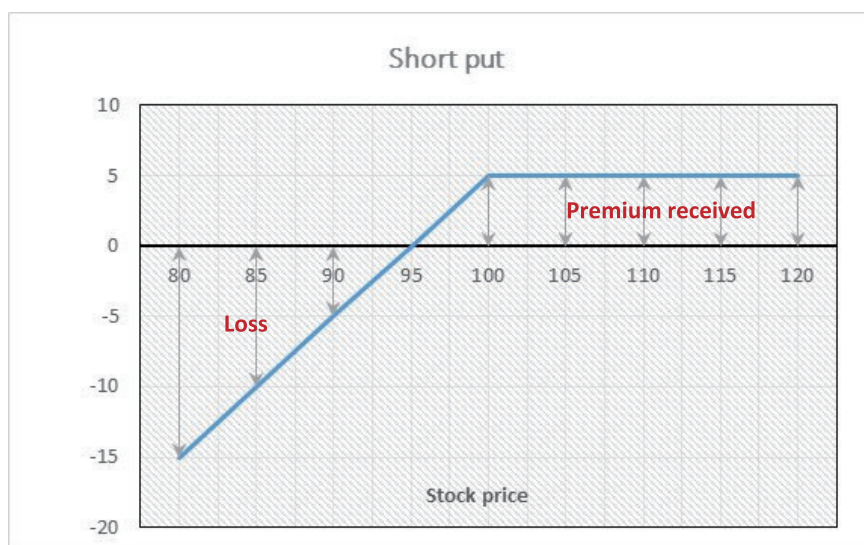
RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

The following graph illustrates the payoff for shorting or writing a call option with a premium of HK\$5 and strike price of HK\$100.



To the extent the underlying stock price of the option remains at a level below HK\$100, the option seller will gain the premium. Where the underlying stock price of the option exceeds HK\$105, it will make a loss and the extent of loss can be unlimited.

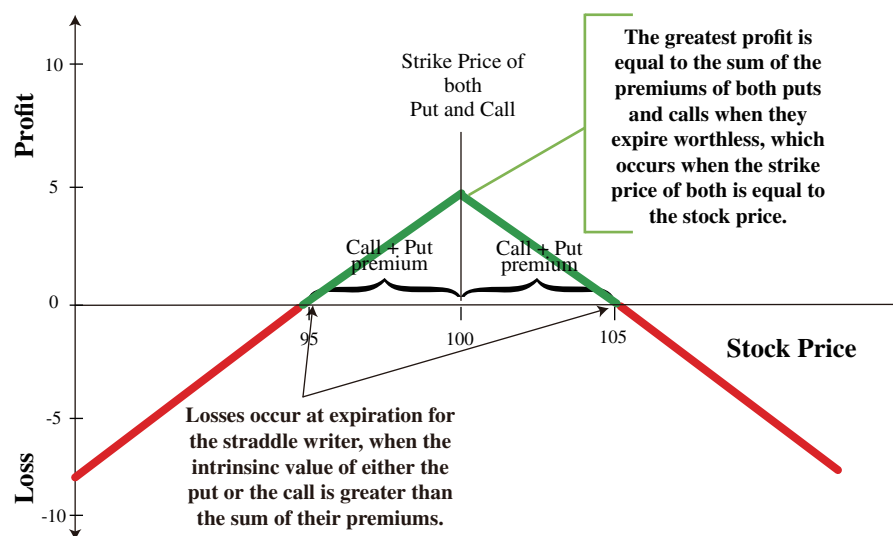
The following graph illustrates the payoff for shorting or writing a put option with a premium of HK\$5 and strike price of HK\$100.



To the extent the underlying stock price of the option remains at a level above HK\$100, the option seller will gain the premium. Where the underlying stock price of the option drops to below HK\$95, it will make a loss and the extent of loss can be substantial.

The following chart illustrates the potential return and risk profile for a short volatility strategy involving the selling of both call and put options:

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION



Relative value strategies

Both option buyers and sellers (or long and short strategies) aim to generate returns and take risks based on their judgment and determination of factors, including implied volatility, at a given time but which may evolve over time (and their trading decisions are often supported by analytical tools, pricing models, historic quantitative data and artificial intelligence etc.). The objectives are quite often the identification of market inefficiencies (for example, where implied volatility is perceived to be lagging and thus has yet to catch up with increase in realised volatility) which gives rise to opportunities which could result from the purchase of relatively undervalued options and sale of relatively overvalued options.

We adopt a relative value strategy and engage in volatility arbitrage trading which involves being long volatility in some instruments and short volatility in other instruments, typically instruments that are relatively closely related. Such volatility arbitrage is applied across different equity markets globally as we trade options listed in major markets including the U.S., Europe and Asia.

Delta hedging

We minimise our market directional exposure of buying or selling options by what is referred to as “delta hedging”.

The “delta” of an option is the ratio of change in price of an option to the change in price of the underlying asset. As described in the payoff profile of the call option above, the delta for a call option is positive (i.e. rises in the share price make the right to purchase shares at the share price more valuable) whereas the delta for a put option is negative (i.e. declines in the share price make the right to sell shares at the strike price more valuable).

When we purchase a call option, we are not only exposed to the fluctuation or rate of change in implied volatility (which affects, or is reflected by, the pricing of the call option), but are also exposed to the direction of movement of the equity market in general (given the positive delta of the call). As explained above, our trading strategy involves the identification of market dislocation or opportunities arising from inefficiencies of the market in pricing options (or implied volatility) and the monetisation of gains from trading overpriced or undervalued options therefrom. However, our trading strategy is agnostic as to market direction; this means that our trading strategy does not involve predicting the direction of equity market movement (i.e. predicting whether share prices underlying relevant indices

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

will rise or fall) which will expose us to risks from inaccurate predictions thereof. As such, we intend that the market directional exposure (or delta) of our trade positions to be offset. For an index option, this can be achieved by trading futures on the underlying index.

To illustrate delta hedging, we can use the payoff profile of buying the put option as an example. Say the put option has the delta of minus 0.5 when the stock price is HK\$100 (exactly equals the strike), meaning that (i) if the stock rises by HK\$2, the value of the put option would decline by HK\$1; and (ii) if the stock declines by HK\$2, the value of the put would rise by HK\$1.

Consider a simplified¹ example where the portfolio manager purchases two of the put option contracts. In that case, the combined delta of these two contracts would be minus 1.00. The delta hedge could now be implemented by buying one share at HK\$100. The result of the combined position of two put options and one share would be as follows:

Stock price	HK\$98	HK\$100	HK\$102
Price change puts	+ HK\$2	0	-/- HK\$2
Price change stock	-/- HK\$2	0	+ HK\$2
Total result	0	0	0

The table shows that the change in value of the two put options is offset by the change in value of the stock. This is the objective of delta hedging. As shown above, the direction of movements in the underlying share or index do not impact the value of the delta-hedged position.

For the different sides of an options trade, a different delta hedge would be required depending on the delta of the option position traded:

- Buying a call option: selling the underlying shares or index futures
- Selling a call option: buying the underlying shares or index futures
- Buying a put option: buying the underlying shares or index futures
- Selling a put option: selling the underlying shares or index futures

Therefore, to minimise our market direction exposures, when we buy call options, we sell an appropriate amount of futures to delta hedge to minimise the market directional exposure of buying the call options. Similarly (i) we buy an appropriate amount of futures when we sell call options; (ii) we buy an appropriate amount of futures when we buy put options; and (iii) we sell an appropriate amount of futures when we just sell put options. When we do a combination of these options trades, we trade the resulting appropriate amount of futures for delta hedging to minimise the market directional exposure, which could either mean that we are buying futures or selling futures.

¹ The example assumes that the delta is constant. In reality, the delta itself is subject to change and over larger movements in the underlying index or share, the delta hedge would need to be reset. Furthermore, the example works with a contract size of one share. Please note that in indices, such as the Hang Seng, the contract size of the options equals that of the futures.

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

Illustration of our trading process

Our strategy involves the identification of market inefficiencies in exchange-listed options resulting in the purchase of relatively undervalued options and the sale of relatively overpriced options.

I. How our trading platform may identify opportunities arising from market dislocation

We illustrate below how such market inefficiencies may potentially be identified using “Volmageddon” in February 2018 as a purely hypothetical example:

For a substantially long period before February 2018, the equity markets had remained relatively stable and this has been referred to as one of the “calmest chapters in U.S. equities”, therefore, in the months leading up to February 2018, various market participants had expected the market to continue to remain stable and had collectively accumulated a large amount of short positions in options on the S&P 500 index (i.e. sold options for a “premium” with a view that there will not be high impact movement in the index).

In early February, the fear of rising interest rates among investors caused a sudden market decline with the S&P 500 dropping by 113.2 points, the biggest decline on a single day since 2011. This led to a rise in implied volatility and the VIX Index increased by 115.6%, which was its sharpest rise since 2015. The abrupt rise in volatility caused by the sudden market decline was detrimental for the market participants described above who held outright (i.e. unhedged) volatility short positions. As a result, these market participants rapidly tried reducing their losses by unwinding their volatility short positions, by repurchasing the options contracts they had sold.

As the price of options is driven by an equilibrium of supply and demand, the sudden drive to unwind short volatility positions by market participants caused excess demand which had the effect of driving up options prices. Further, the increased level of actual volatility in the market also had an effect of increasing implied volatility (i.e. led to a market expectation of greater movement in the underlying index through maturity of the options), which creates further demand and drives up the option prices. Therefore, those market participants unwinding their volatility short positions may have to pay a higher premium (in comparison with the premium they earned) when repurchasing the options they had sold.

The performance of the S&P 500 and the Nikkei 225¹ are somewhat correlated given that they may be similarly affected by events in the world economy. For example, the actual day-to-day movement of these indices were quite similar (declined by roughly 4.5%) on the day of most movement on 5 February 2018 (for S&P 500) and 6 February 2018 (for Nikkei 225). However, our technology platform may perceive that there was a notable differential in expected future movements in the market (i.e. implied volatility), reflected by option prices which is driven by supply and demand, in respect of these indices.

¹ Equity indices which track the stock performance of large public companies listed on the respective markets in developed economies of the United States and Japan respectively

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

Such perception is generated by our technology platform through real-time analytical tools (that conduct real-time quantitative comparisons of prevailing market volatility levels to what it perceives to be expected/target volatility levels among different indices worldwide, and such evaluations would be backed by real-time theoretical pricing and implied volatility surfaces calculated by our pricing and option models and supported by historical data supplied by our data warehouse and quantitative library). Various input factors are incorporated in the proprietary models inbuilt into our technology platform; a key input into the models is the degree of observed historical movement (i.e. realised volatility) which the underlying indices (in the case here the S&P 500 and Nikkei 225) exhibit, and another important factor is the historical levels of implied volatilities. The differential in expected future movements of relevant indices (i.e. implied volatility, as reflected by the option prices) indicated by our technology platform would give rise to opportunities for arbitration through purchasing of undervalued options and selling of overpriced options, and such opportunities are represented in our technology platform in the form of a so-called “heat map”.

Our portfolio managers continuously monitor options markets and establish the market levels of implied volatility across the options of all traded indices using our proprietary technology platform. In the above scenario, the “heat map” may reflect that the sharp increase in implied volatility concerning options on the S&P 500 was significantly larger than the increase in implied volatility for the Nikkei 225, and our system would signal to our portfolio managers that options on the S&P 500 may be overpriced and options on the Nikkei 225 may be undervalued (i.e. there is an opportunity being presented).

We establish whether certain options are overpriced or underpriced using the quantitative, model-based approach described above.

II. How we may set up a trading position following identification of market dislocation

Our volatility trading strategy is to trade a combination of selling overpriced options and purchasing undervalued options which are related in nature (i.e. somewhat correlated from the perspective of volatility).

Where our trading platform may identify implied volatility differential (based on input from our technology platform) that the S&P 500 may be overpriced and the Nikkei 225 may be undervalued (i.e. implied volatility in the S&P 500 is materially higher than implied volatility of the Nikkei 225), then our portfolio managers may determine to proceed with establishing trade positions to capitalise on the perceived opportunity.

Based on the magnitude of perceived opportunities, portfolio managers may:

- directly implement target positions indicated by our quantitative models in respect of small perceived opportunities;
- discuss with, and obtain the approval of, a senior portfolio manager or a co-chief investment officer prior to the implementation of target positions indicated by our quantitative models in respect of medium perceived opportunities; and

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

- discuss with, and obtain the approval of, both co-chief investment officers prior to the implementation of target positions indicated by our quantitative models in respect of large perceived opportunities

Please note that the characteristics of target positions stem from the quantitative model, which is built within the parameters of the volatility models incorporating the internal knowledge of years of experience in market making of our portfolio managers and is supported by statistical analysis with historical data fed from our data warehouse and quantitative library. However, our portfolio managers have discretion to be defensive and not proceed with a perceived opportunity identified by our quantitative model. For example, where a qualitative reason for a perceived dislocation exists which has not been incorporated in the quantitative model (which may be due to factors in play in respect of circumstances surrounding an event which is novel to the quantitative model, such as Brexit or an extreme act of God (such as a large earthquake) which may be considered to be a one-off event), the portfolio managers will have discretion to curtail, postpone or omit the opportunity identified by the quantitative model.

Where our team of portfolio managers and co-chief investment officers have validated the establishment of trade positions in respect of a perceived opportunity through the process described above, the portfolio manager may proceed with the implementation of the trade. This would occur through our Typhoon Trader module of our proprietary trading platform, which allows for direct market access through the prime brokers into the various derivatives markets.

In the hypothetical example where it is perceived that the S&P 500 may be overpriced and the Nikkei 225 may be undervalued, then the portfolio manager may, on behalf of our funds/managed accounts, execute the following positions (the “**Trade**”):

- sell option contracts on the S&P 500 (“**short volatility leg**”); and
- buy option contracts on the Nikkei 225 (“**long volatility leg**”).

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

Illustration of perceived benefits that may be derived from the “Trade”

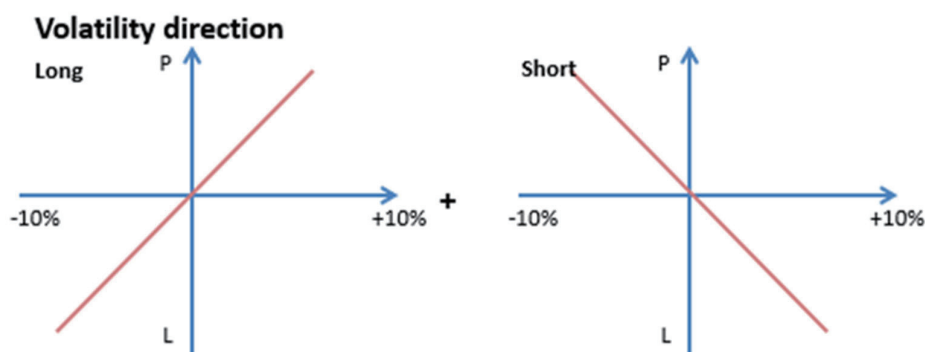
On the long volatility leg, an increase in implied volatility would be beneficial and a decline in implied volatility would be detrimental. This is because we have bought option contracts on the Nikkei 225 at an undervalue (with payment of a premium) and an increase in implied volatility in these indices will increase the value of the contracts held, and hence allow us to sell them at a higher price for generation of profit, and vice versa.

Conversely, on the short volatility leg, a decrease in implied volatility would be beneficial and an increase in implied volatility would be detrimental. This is because we have sold option contracts on the S&P 500 which we considered to be overpriced (and received a premium) and a decrease in implied volatility in the S&P 500 will decrease the value of the contracts held, and hence allow us to buy them back at a lower price for generation of profit, and vice versa.

A simplified example the driver of profit or loss for the spread position would be as follows:

	Short volatility leg (S&P 500)	Long volatility leg (Nikkei 225)
Increase in implied volatility	Detrimental, as higher expected movement raises the value of the short option contracts	Beneficial, as higher expected movement raises the value of the long option contracts
Decrease in implied volatility	Beneficial, as lower expected movement reduces the value of the short option contracts	Detrimental, as lower expected movement reduces the value of the long option contracts

The graph below displays the impact to changes in volatility for both legs of the spread position:



When both buying and selling options which are somewhat related (i.e. statistically affected in terms of volatility from similar events in the markets), the exposure from overall rise (or conversely, fall) in overall volatility across markets is more limited. However, it allows us to capture benefits which may arise from relative implied volatility changes between purchased undervalued options and the sold overpriced options. In such strategy, profits are generated when implied volatility rises more in the purchased options than in the options that were sold.

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

Simplified hypothetical numerical example

We set out below a simplified illustration of potential trading positions which may be set up where our technology platform perceives that the S&P 500 may be overpriced and the Nikkei 225 may be undervalued. It should be noted that the manner in which our strategy is traded in such a scenario as illustrated below is purely hypothetical and has been simplified for illustration purposes only. It should not be taken to be representative of any trade positions that may actually be placed in such situations and is in no way exhaustive as to the considerations and analysis involved in our trading and execution process in such situations.

A simplified hypothetical numerical example² would be as follows:

- sell option contracts on the S&P 500:
 - o the implied volatility level for one-month options on the S&P 500 was 48%
 - o the portfolio manager sells one-month options contracts on the S&P 500 for a total value of USD5,000,000
- buy option contracts in the Nikkei 225:
 - o the implied volatility level for one-month options on the Nikkei 225 was 32%
 - o the portfolio manager buys one-month options contracts on the Nikkei 225 for a total value of USD5,000,000

Suppose hypothetically the realised volatility for both indices was around 40% on average in the preceding weeks and historically implied volatilities for both indices have been on average at the same level. Then from the perspective of (1) the comparison between implied volatility and realised volatility as well as (2) historical implied volatility differences, there was a mismatch between options on the S&P 500, being overpriced at an implied volatility of 48%, and options on the Nikkei 225, being undervalued at an implied volatility of 32%. Assuming that there is a higher likelihood that (1) the realised volatility of both indices would continue to be similar; and/or (2) the implied volatility differences would return to historical averages, then the 16 percentage point spread (the 48% vs the 32%) in implied volatility between the two indices would be identified by our implied volatility models as a volatility spread opportunity, which could be set up as per above.

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

- implied volatility levels change:
 - o the implied volatility in the S&P 500 declines by 10% to 43.2%. As the implied volatility declines, the value of the options declines correspondingly from a value of USD5,000,000 to USD4,500,000
 - o the implied volatility in the Nikkei 225 stays the same, and therefore, the value of the options remains at USD5,000,000
- overall, the position has an (initially unrealised) profit:
 - o the value of the overall option portfolio following the volatility level changes is USD500,000 (i.e. the long options on the Nikkei 225 are worth USD5,000,000 and the short options on S&P 500 are worth USD4,500,000). This profit can be locked in (realised) by selling out the Nikkei 225 options and repurchasing the S&P 500 options
 - o after repurchasing the S&P 500 options (at the cost of USD4,500,000) and selling the Nikkei 225 options (receipt of USD5,000,000), the position is unwound and the profit of USD500,000 is realised

Please note that a positive result would be made in various scenarios as long as the differential in volatility between the S&P 500 and the Nikkei 225 would have narrowed:

- if the Nikkei 225 volatility declined by 10% and the S&P 500 volatility declined by 20%
- if the Nikkei 225 volatility had risen by 10% and the S&P 500 volatility remained constant
- if the Nikkei 225 volatility increased by 20% and the S&P 500 volatility increased by 10%

A crucial aspect of our trading strategy is that we carry out active trading through the continuous monitoring of markets on a real-time (intra-day) basis through our experienced portfolio managers with the assistance of our technology platform which enables us to be reactive to changes in implied volatility in global markets as well as trigger unwinding or expansion of volatility spread positions in a timely manner. This aspect is crucial as it entails that in periods of high volatility in which implied volatility levels are fluctuating more, the strategy will likely identify trade dislocations in a more frequent manner, than in a lower volatility environment. In February 2018 for instance, many positions were entered into and profitably unwound within the same trading day.

Please note that the numerical example for simplification reasons only refers to the price effects on the options with respect to changes in the implied volatility assuming no changes in the underlying index level, interest rate or dividend, which would make the analysis significantly more complicated. However, the impact of movement in the underlying instrument can be significant (either beneficial or detrimental) on a volatility spread position, with the impact itself increasing with the movement in a more than linear fashion.

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

Please note that we trade on opportunities arising from market dislocation arising from changes in implied volatility (i.e. rate of change of the perception/expectation of the price of the underlying securities or indices) rather than from the change in value of the underlying securities/indices directly. As such, we are agnostic about underlying market direction and carry out delta hedging to minimise the risk of exposure to directional market moves (upwards or downwards). As such:

- for long volatility legs, the portfolio manager would purchase call options (and sell futures as a delta hedge) and/or purchase put options (and buy futures as a delta hedge)
- for short volatility legs, the portfolio manager would sell call options (and buy futures as a delta hedge) and/or sell put options (and sell futures as a delta hedge)

Therefore, in the above hypothetical example in respect of a Trade, after implementation, the position would consist of:

- short calls and/or short puts in the S&P 500
- long calls and/or long puts in the Nikkei 225
- long or short futures in the underlying indices for delta hedging purposes

From a timing perspective, building (or unwinding) of the position is driven by the magnitude of the opportunity which itself is subject to change over time. As a result, positions are not taken in a one-off (discrete) but in a more staggered (continuous) manner.

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

III. Continuous monitoring of risk exposure

Following the establishment of a position, our team of portfolio and risk managers and co-chief investment officers would continuously monitor the risk exposure of the resulting position. The Typhoon Trade and Observatory modules of our proprietary trading platform provide for continuous risk management which involves, without limitation:

- displaying the portfolio exposures in real-time;
- defining maximum exposures in respect of positions that may be taken, both on an individual product basis and on an overall portfolio basis;
- generating sound and electronic alerts to portfolio and risk managers when certain risk-related triggers or parameters are met; and
- performing various scenario analyses for the purpose of reviewing risk profiles and impact on portfolios which may result from various movements of quantifiable factors. Among others the following scenario analyses may be performed on an intra-day basis:
 - o impact of a 5% and 10% instantaneous movement across all underlying indices
 - o impact of a 5% or 10% instantaneous movement in individual underlying indices
 - o impact of volatility changes across all underlying indices
 - o impact of volatility changes in individual underlying indices
 - o a combination of the above scenarios

IV. Position management

When needed the option contracts are managed in cases of movement in the underlying indices or time passing by. The objective is for the option position to reflect the characteristics of the opportunity in the heat map in terms of magnitude, targeted maturity and targeted strike prices.

In the case of significant volatility changes, our team of portfolio managers and co-chief investment officers will review the existing trade position which may be scaled (e.g. for long volatility positions, increased by buying options to increase our exposure, or decreased by selling options to reduce our exposure) to the perceived opportunity, and in appropriate circumstances, may determine to quickly unwind the position for monetisation of profits.

In respect of the example of the Trade, if our predictions are correct and the Nikkei 225 was in fact relatively undervalued and the S&P 500 was relatively overpriced, our trading strategy would allow us to make a larger gain or a smaller loss on purchased undervalued Nikkei 225 options and have a smaller loss or a larger gain as well on sold options relating to the S&P 500, with a combined gain overall. One should bear in mind however that at the time of implementation of these positions, implied volatility in the S&P 500 was materially higher than implied volatility in the Nikkei 225, and as our quantitative

RELATIVE VALUE VOLATILITY STRATEGY AND ILLUSTRATION OF TRADE PROCESS AND EXECUTION

models and analysis predicted, implied volatility in the S&P 500 declined more significantly relative to the implied volatility in the Nikkei 225 over the trading days following the establishment of the position. Such relative change in implied volatility in the respective indices would be beneficial for the volatility spread positions in respect of the Trade, and at the appropriate time we may lock in profits by unwinding the position. The process of reducing or unwinding a position is similar to that of building the position:

- for long volatility legs, the call options or put options would be sold out (if necessary in combination with the underlying futures contracts for delta hedging purposes); and
- for short volatility legs, the call options or put options would be repurchased (if necessary in combination with the underlying futures contracts for delta hedging purposes)

In the example of the Trade above, such unwinding of positions would have resulted in monetisation of profits.

Conversely, in a hypothetical scenario where the implied volatility in the S&P 500 increased more significantly relative to the implied volatility in the Nikkei 225 over the trading days following the establishment of the position, then in such scenario, we will have to limit our losses on the short volatility leg by buying back contracts in respect of the S&P 500 at a higher price (as an increase in implied volatility would lead to an increase in the value of relevant option contracts), but at the same time we would be able to sell long option contracts in respect of the Nikkei 225 previously purchased at a higher price for a profit (i.e. reduces our overall loss).

RELATIONSHIP WITH THE CAPITAL GROUP

Background of the Capital Group

This section sets out certain relationships between the Capital Group (comprising CSC and its subsidiaries) and our Group historically and over the Track Record Period.

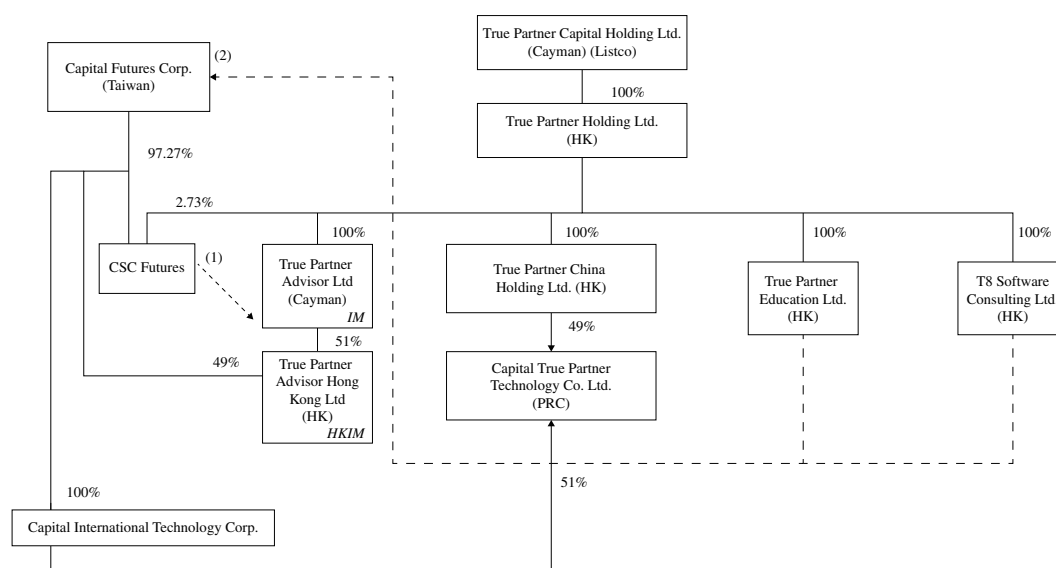
CSC and its subsidiary Capital Futures Corp. (“CFC”) are both listed on the Taiwan Stock Exchange. CSC Futures, an indirect subsidiary of CSC, is a type 1 (dealing in securities) SFC and type 2 (dealing in futures contract) SFC licensed entity in Hong Kong engaged in trading of exchange listed options and futures for institutional investors.

Our Group’s relationship with the Capital Group commenced following an event at the National Taiwan University in May 2012 during which Mr. Ralph van Put, the chief executive officer of the Company, became acquainted with the chairman of CFC.

As the Capital Group was seeking to develop its own trading business model, information system as well as risk management system at the time (with a view to potentially launching derivative trading businesses in Hong Kong and the PRC), it considered that the technical and technology know-how and expertise of our Group in derivative trading (including, without limitation, our team of experienced senior portfolio managers and expertise in establishing a highly sophisticated proprietary trading platform) would benefit such development as well as its own proprietary trading. Our track record of developing relevant technologies extends back to before releasing our trading technology in 2010. Notably, our CEO, chief technology officer, head of research and development and chief investment officer who are together instrumental in the formulation of our trading strategy as well as the development of our proprietary trading platform have worked together since as far back as 1995. For information on our experienced technology and software development teams, please see the section headed “Business – Our technology platform – Our technology and software development teams” in this prospectus. In 2012 when our relationship with the Capital Group commenced, our relevant personnel had built up know-how for over a decade, and our Directors consider that such know-how may be difficult to source as it is not generally shared by other proprietary trading firms. As such, the chairman of the Capital Group expressed that they were keen to receive in-depth training from our Group with regards to risk management and derivative trading. Importantly, our self-developed technology was not shared with the Capital Group; rather we shared our know-how, particularly gained through our previous experience as market makers.

Subsequently, the Capital Group engaged our Group to provide various consulting services to the Capital Group and there has been cross-investments between the groups as part of the overall cooperation plan between the respective groups, as summarised below.

RELATIONSHIP WITH THE CAPITAL GROUP



Notes:

- (1) CSC Futures (HK) was the sole investor in each of Managed Account C and co-branded fund A (both closed as at the Latest Practicable Date), to each of which True Partner Advisor Limited acted as investment manager. In the case of Managed Account C, True Partner Advisor Limited delegated some investment management responsibilities to True Partner Advisor Hong Kong Limited as sub-manager; whilst in the case of co-branded fund A, the fund invested substantially all of its assets in Managed Account D to which True Partner Advisor Hong Kong Limited acted as sub-investment manager. CSC Futures (HK) was one of our top five investors by contribution to our fund management revenue in 2018.
- (2) True Partner Education Limited (currently known as True Partner Consulting Limited) and T8 Software Consulting Limited provided consultancy services to Capital Futures Corp..

RELATIONSHIP WITH THE CAPITAL GROUP

A. Services provided by our Group to the Capital Group

The following table summarises the financial impact of our Group's revenue attributable to its various transactions with Capital Group during the Track Record Period:

	Year ended 31 December 2018		Year ended 31 December 2019		Three months ended 31 March 2020	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
<i>Revenue</i>						
- Consultancy fee income	45,518	28.8%	-	-	-	-
- Management and performance fee	9,231	5.8%	-	-	-	-
	<u>54,749</u>	<u>34.6%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

1. Consultancy services

As the Capital Group was seeking to develop its own trading business model, information system as well as risk management system with a view to potentially launching derivative trading businesses in Hong Kong and the PRC, two of our subsidiaries, namely True Partner Education Limited (currently known as True Partner Consulting Limited) and T8 Software Consulting Limited (collectively, the “**True Partner Consultants**”) were engaged, pursuant to a consultancy agreement dated 1 July 2015, as consultants to provide technological expertise on trading analysis and market research as well as advise and make recommendations on fund investments and investment products in relation to options and futures. The principal terms of the consulting agreement are as follows:

- (i) the True Partner Consultants shall, upon the request of CFC from time to time, provide consulting services to CFC in connection with trading analysis, market research and derivatives related information technology;
- (ii) the True Partner Consultants shall be entitled to charge fees (payable quarterly in arrears within one calendar month following receipt of invoice to be issued within ten days from the end of each quarter) as follows:
 - (a) in respect of consulting services provided by True Partner Education Limited, an amount of (I) US\$80,000 for 80 hours of consulting services, and (II) US\$900 for each additional hour of services provided within the relevant month;
 - (b) in respect of consulting services provided by T8 Software Consulting Limited, at the rate of US\$1,000 per hour; and
- (iii) copyright of all reports or documents in relation to the consulting services rendered in accordance with the agreement shall belong to CFC.

Such consultancy agreement was terminated on 31 December 2018. Please refer to the section below headed “Reasons for termination of consultancy and fund management services provided by our Group to the Capital Group” in this section of the prospectus for further details. The termination of such consulting services was mutual and was in line with our decision to redirect resources from providing such consultancy services to focus on delivering and managing AUM growth of our Group.

RELATIONSHIP WITH THE CAPITAL GROUP

The main resources of our Group utilised to provide consulting services to Capital Futures Corp. were human capital, and in particular, the time and effort spent by senior executives and management staff in providing advice and recommendations on an on-demand basis. Whilst it was sensible for us to incur time and effort in providing consultancy services for the generation of relevant supplemental income in the past, our Directors considered that with a relatively nimble yet efficient workforce, the relevant time and efforts of senior executives and management staff would be better spent on developing the core fund management business of our Group (including from the perspective of sales and marketing and administration as well as maintaining investor relationships). This is especially the case in this critical period of our Group (following the achievement of a critical US\$1 billion amount in AUM) which is expected to accelerate the growth and profitability of our Group.

The total amount of fees paid by CFC in respect of consultancy services provided amounted to approximately HK\$45.5 million over the Track Record Period.

2. Fund management services

CSC Futures was our third largest investor by contribution to our fund management business revenue in 2018. In particular, CSC Futures was:

- (i) the sole investor of Managed Account C, which was managed by our Investment Manager and HK Sub-Manager pursuant to investment management agreements dated 1 February 2013; and
- (ii) the sole investor in co-branded fund A, a fund-of-one launched in November 2015 (to which we acted as investment manager pursuant to an investment management agreement dated 30 November 2015) and which invested substantially all its assets in Managed Account D (to which we acted as sub-investment manager), a managed account co-invested by Investor D.

The terms of the investment management agreements in respect of Managed Accounts C and D as well as co-branded fund A were materially similar (other than in respect of fee structure) to the terms of the investment management agreements for the flagship fund of our Group and other funds managed by our Group as set out in the “Business – Investment Management” section of this prospectus.

As at the Latest Practicable Date, each of Managed Accounts C and D were closed and co-branded fund A had been liquidated as CSC Futures and Investor D had determined to withdraw their investments. Please refer to the section below headed “Reasons for termination of consultancy and fund management services provided by our Group to the Capital Group” in this section of the prospectus for further details.

The total amount of fees paid by CSC Futures and Investor D in respect of investment management services provided amounted to approximately HK\$10.9 million over the Track Record Period.

Revenue from co-branded fund A, Managed Account C and Managed Account D attributed to approximately HK\$85,000, HK\$9.15 million and HK\$1.65 million, representing approximately 0.05%, 5.78% and 1.04% of our total revenue, for the year ended 31 December 2018, whilst no revenue was contributed by these funds for the remainder of the Track Record Period as the fund and these managed accounts were closed.

RELATIONSHIP WITH THE CAPITAL GROUP

Reasons for termination of consultancy and fund management services provided by our Group to the Capital Group

In 2018, the Capital Group decided to repatriate funds and redirect resources in preparation for the establishment of a futures firm in the PRC. This followed China's announcement to open up its financial markets to foreign companies (with the relaxation of the relevant laws to allow foreign incorporated futures firms to operate on a wholly owned basis commencing in 2020). Further, the Capital Group also considered that volatility had been low in 2019 although the group was generally satisfied with fund performance to date. As such, the Capital Group:

- (i) determined not to renew the consultancy services agreement entered with our Group when it expired in 2018;
- (ii) terminated the investment management agreement in respect of Managed Account C on 1 August 2019; and
- (iii) redeemed its entire investment (through CSC Futures) in co-branded fund A in May 2019.

Further, as Investor D co-invested into Managed Account D together with CSC Futures (the investment of which had been withdrawn following the redemption of investment in co-branded fund A, which invested solely into Managed Account D), Investor D also had to withdraw their investments on 1 May 2019 and Managed Account D was subsequently closed.

The Directors believe that we continue to have a good relationship with the Capital Group as evidenced by continued investments between our Group and the Capital Group as described below.

B. Investments between our Group and the Capital Group

In addition to procurement by the Capital Group of our services as described above, as part of the broader cooperation plan between our respective groups, the following equity investments were made by us and the Capital Group in certain of our respective subsidiaries, as described below:

1. Capital True Partner Technology Co. Ltd. ("CTPT")

In 2012, we acquired 100% of All Options China Holding Limited ("**All Options China**") from All Options International Holding B.V. ("**All Options**"), which was subsequently renamed as True Partner China Holding Limited. At the relevant time, All Options China owned 100% of CTPT, a software development and technology company based in Chengdu, Sichuan, the PRC established in 2008 which engages in research, development and design of software and hardware products and the development of gateways to various stock exchanges that enable securities firms to access stock exchanges via direct market access. Following our acquisition of All Options China, CTPT became a wholly-owned subsidiary of our Group. As at year ended 31 December 2018 and 2019 and the three months ended 31 March 2020, the cost of investment had been fully impaired.

In 2015, we determined that we should no longer be actively involved in the development of exchange gateways but rather focus on developing our own proprietary trading technology in connection with our core fund management activities. As such:

RELATIONSHIP WITH THE CAPITAL GROUP

- (i) pursuant to an equity transfer agreement dated 1 January 2015, True Partner China Holding Limited transferred 51% shareholdings in CTPT to Capital International Technology Corp. (“CITC”), a wholly-owned subsidiary of CFC.

After such transfer, CFC has taken over control of the daily operations and management of CTPT and our involvement in CTPT has been limited to nomination and appointment of two directors and a supervisor on the board to protect our 49% minority interests in the company.

As at the Latest Practicable Date, we were no longer involved in the day-to-day operations of CTPT, and CTPT remains an associate entity of our Group.

- (ii) True Partner China Holding Limited transferred certain intellectual property rights in respect of exchange gateways to CITC for consideration of RMB600,000 pursuant to an IP transfer agreement entered on 31 December 2014.

As at the end of November 2019, an amount of RMB600,000 in relation to the IP transfer had not been settled by CTPT, although pursuant to arrangements under an agreement on deferred payment entered into on 29 November 2019, the amount was fully settled in May 2020.

2. True Partner Advisor Hong Kong Limited

In April 2015, CFC acquired a 49% interest in our HK Sub-Manager from our Investment Manager at a consideration of approximately US\$1.12 million. Our HK Sub-Manager acts as sub-advisor for several funds and managed accounts managed by us and is a type 9 (asset management) SFC licensed corporation in Hong Kong.

CFC has no role or responsibility in the operations of our HK Sub-Manager and acts only as a passive investor. CFC is entitled to 49% of any profits if they are paid out as dividends to the shareholders of our HK Sub-Manager. True Partner Advisor Hong Kong Limited is one of our subsidiaries whose results are consolidated with our Group during the Track Record Period.

3. CSC Futures

True Partner Holding Limited has invested approximately HK\$6.0 million into CSC Futures and acquired a 5% equity interest in CSC Futures in April 2015. In December 2016, such interest was diluted to 2.73% due to a share allotment of CSC Futures. As at year ended 31 December 2018 and 2019 and the three months ended 31 March 2020, the value of investment was approximately HK\$4.8 million, HK\$3.7 million and HK\$2.6 million, respectively, and had been included under “financial assets at fair value through other comprehensive income” in the consolidated statement of financial position.

THE CORNERSTONE PLACING

On 25 September 2020, our Company has entered into a cornerstone investment agreement (the “**Cornerstone Investment Agreement**”) with Alliance Capital Partners Limited and Dasym Managed Accounts B.V. (“**Dasym**”), pursuant to which Dasym in aggregate has agreed to subscribe as agent at the Offer Price 19,960,000 Offer Shares, subject to a maximum investment amount of HK\$38.92 million. Dasym is incorporated in the Netherlands. Dasym is an independent, research-driven investment company headquartered in Naarden, the Netherlands, with offices in Los Angeles, Shanghai and Beijing. Dasym offers a broad range of investment solutions and services in the areas managed accounts and investment funds. According to Dasym, Dasym is participating as a cornerstone investor in its capacity as discretionary asset manager and acting as agent on behalf of its client Nardinc Beheer B.V. (“**NBBV**”), a privately-owned investment company incorporated in the Netherlands. Dasym receives fee as asset manager of NBBV. NBBV is controlled by the Blokker family, who is a reputable family in the Netherlands, with a long history in retailing. The Blokker family is also an active investor in real estate, private equity and capital markets. Based on the latest information available to the Company, NBBV through Hoorninvest B.V. (“**Hoorninvest**”) invested about US\$17 million into True Partner Fund. Such investment represented approximately 6.0 % and 1.2% of the AUM of True Partner Fund and the Group, respectively, as at 31 July 2020 (being the latest practicable date of this information prior to publication of this prospectus).

Pursuant to the Cornerstone Investment Agreement, Dasym in aggregate has agreed to subscribe as agent for 19,960,000 Offer Shares, representing approximately 4.99% of the total Shares in issue upon the completion of the Share Offer and 19.96% of the Offer Shares offered pursuant to the Share Offer, assuming that the Over-allotment Option is not exercised; or (ii) 4.81% of the total Shares in issue upon completion of the Share Offer and 17.36% of the Offer Shares offered pursuant to the Share Offer, assuming that the Over-allotment Option is fully exercised (the “**Cornerstone Placing**”).

Based on the Offer Price of HK\$1.40 (being the 10% below the low-end of the indicative Offer Price range after making a Downward Price Adjustment), the investment amount pursuant to the Cornerstone Placing made by Dasym will be HK\$27.94 million.

Based on the Offer Price of HK\$1.55 (being the low end of the indicative Offer Price set out in this prospectus), the investment amount pursuant to the Cornerstone Placing made by Dasym will be HK\$30.94 million.

Based on the Offer Price of HK\$1.75 (being the mid-point of the indicative Offer Price set out in this prospectus), the investment amount pursuant to the Cornerstone Placing made by Dasym will be HK\$34.93 million.

Based on the Offer Price of HK\$1.95 (being the high end of the indicative Offer Price set out in this prospectus), the investment amount pursuant to the Cornerstone Placing made by Dasym will be HK\$38.92 million.

According to Dasym, as at the Latest Practicable Date, Hoorninvest, an affiliated company of Hoornsche Broeder Capital B.V. (“**HB Capital**”), is an investor of True Partner Fund (which is not a member of our Group). Hoorninvest and HB Capital are ultimately beneficially owned by members of the Blokker family. The chief executive director of Dasym is a member of the board of directors of HB Capital and various other group companies of HB Capital. Otherwise, to the best knowledge of the Company, (i) Dasym, NBBV and their respective ultimate beneficial owners are Independent Third

THE CORNERSTONE PLACING

Parties, are not related to our Company's connected persons (as defined under the GEM Listing Rules), and are not an existing Shareholder nor a close associate of any of our existing Shareholders; (ii) there has been and there will be no direct and indirect benefits by side letters, agreements or arrangements between our Group and Dasym/NBBV and their respective ultimate beneficial owners for the purpose of the Cornerstone Placing other than a guaranteed allocation; (iii) Dasym and NBBV are not accustomed to take instructions from our Company, our Directors, our chief executive of the Company, Substantial Shareholders or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting, or other disposition of the Offer Shares; and (iv) none of the subscription of the Offer Shares under the Cornerstone Placing are financed by our Company, its subsidiaries, our Directors, chief executive, Substantial Shareholders, or existing Shareholders or their respective close associates, (v) Dasym and/or NBBV became acquainted with the founders of the Company through long term business relationship and (vi) each of Dasym and NBBV and their respective ultimate beneficial owners will not have any board representation in the Company, and is independent of the Company, its connected persons and their respective associates.

Dasym, NBBV, HB Capital and/or Hoorinvest has not enter into any other commercial arrangements with the Group and its funds other than in connection with its investment in the True Partner Fund and in respect of the Cornerstone Investment Agreement described above.

Dasym, the Company and the Sponsor confirmed that :-

- (i) they did not enter into the Cornerstone Investment Agreement;
- (ii) Dasym did not receive any preferential treatment in the Cornerstone Placing; and
- (iii) Dasym did not receive the opportunity to participate in the Cornerstone Placing;

because of the investment made by the NBBV and Hoorinvest and the relationship between the chief executive director of Dasym and the HB Capital abovementioned.

Details of the actual number of Offer Shares to be allocated will be disclosed in the allotment results announcement to be issued by the Company on or around 15 October 2020.

As confirmed by Dasym, their subscription under the Cornerstone Placing would be financed by the internal funds of NBBV. Under the Cornerstone Investment Agreement, Dasym has represented that it has the full power and authority to subscribe under the Cornerstone Placing on the account of NBBV, and that the funds that will be utilized for the subscription will be funded solely by the NBBV and no other persons or entities.

Dasym and its parent company are not listed on any stock exchange.

The Cornerstone Placing forms part of the Placing. Dasym participates in its investments in the Company as it is confident in the prospects of the investment management services provided by the Company and the Company's business and prospect. The Offer Shares to be subscribed under the Cornerstone Placing will rank *pari passu* in all respects with the other fully paid Offer Shares in issue. Dasym/NBBV will not subscribe for any Offer Shares under the Share Offer (other than pursuant to the Cornerstone Placing). Immediately following completion of the Share Offer, Dasym and/or NBBV will not have any Board representation in the Company, nor will Dasym and/or NBBV become a substantial Shareholder (as defined in the GEM Listing Rules). Accordingly, shares subscribed under the Cornerstone Placing will be counted as part of the public float.

Pursuant to the cornerstone investment agreement entered into with Dasym, the delivery of Offer Shares to be subscribed under the Cornerstone Placing may be deferred in order to facilitate the Over-allotment Option. No matter whether deferred delivery will take place or not, the subscription principal sum will be paid before the Listing Date. Hence, there will be no deferred settlement arrangement.

The total number of Offer Shares to be subscribed pursuant to the Cornerstone Placing will not be affected by reallocation of the Offer Shares between the Public Offer and the Placing in the event of over-subscription under the Public Offer as described in the section headed "Structure of the Share Offer – Re-Allocation of the Offer Shares Between Placing and Public Offer" in this prospectus.

THE CORNERSTONE PLACING

CONDITIONS PRECEDENT

The obligations of Dasym to subscribe for Offer Shares as agent under the cornerstone investment agreement is subject to, among other things, the following conditions precedent:

- (a) the Underwriting Agreements being entered into and having been entered into by the relevant parties thereto and having become effective and unconditional and all of the conditions precedent to completion set forth therein having been satisfied (or waived by relevant parties) by no later than the time and date as specified in the Underwriting Agreements in accordance with their respective original terms, or as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties thereto and neither of the Underwriting Agreements having been terminated;
- (b) Alliance Capital Partners Limited (for themselves and on behalf of the Underwriters) and the Company having determined the Offer Price;
- (c) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Offer Shares (including the Offer Shares under the Cornerstone Placing and other applicable waivers and approvals), and that such waiver, permission or approval not having been revoked prior to the commencement of dealings in the Offer Shares on the Stock Exchange;
- (d) no laws having been enacted or promulgated which prohibit the consummation of the transactions contemplated in the Public Offer, the Placing, or the cornerstone investment agreement and there shall be no orders nor injunctions from a government authority in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, undertakings and acknowledgements of Dasym are accurate and true and not misleading in all respects and there being no material breach of the cornerstone agreement on the part of Dasym.

THE CORNERSTONE PLACING

RESTRICTIONS UNDER THE CORNERSTONE INVESTMENT AGREEMENT

Dasym has agreed that unless it has obtained prior written consent of each of the Company and the Sole Sponsor, it will not and will cause it affiliates not to at any time during the period of six (6) months from the Listing Date (the “**Lock-up Period**”), whether directly or indirectly, (a) dispose of, in any way, any of the relevant Offer Shares; (b) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner; or (c) enter into any transaction with the same economic effect as any aforesaid transaction. For the purpose of this paragraph, dispose of means, directly or indirectly, (i) offering, pledging, charging, selling, mortgaging, lending, creating, transferring, assigning or otherwise disposing of any legal or beneficial interest (including by the creation of or any agreement to create or selling or granting or agreeing to sell or grant any option or contract to purchase, subscribe for, lend or otherwise transfer or dispose of or any warrant or right to purchase, subscribe for, lend or otherwise transfer or dispose of, or purchasing or agreeing to purchase any option, contract, warrant or right to sell), or creating any third party right of whatever nature over, any legal or beneficial interest in the relevant Offer Shares or any other securities convertible into or exercisable or exchangeable for such relevant Offer Shares, or that represent the right to receive, such relevant Offer Shares, or contracting to do so, whether directly or indirectly and whether conditionally or unconditionally; or (ii) entering into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences or incidents of ownership of such relevant Offer Shares or such other securities or any interest in them; or (iii) entering into any other transaction directly or indirectly with the same economic effect as any of the foregoing transactions described in (i) and (ii) above; or (iv) agreeing or contracting to, or publicly announcing an intention to, enter into any of the foregoing transactions described in (i), (ii) and (iii) above, in each case whether any of the foregoing transactions described in (i), (ii) and (iii) above is to be settled by delivery of relevant Offer Shares or such other securities convertible into or exercisable or exchangeable for relevant Offer Shares, in cash or otherwise; and “disposal” shall be construed accordingly.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our audited combined financial information as of and for the years ended 31 December 2018 and 2019 and three months ended 31 March 2020 included in the Accountants' Report set out in Appendix IA to this prospectus, together with the accompanying notes. Our combined financial information has been prepared in accordance with HKFRS.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance 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 events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are a Hong Kong and U.S. based fund management group which manages funds and managed accounts on a discretionary basis using a global volatility relative value trading strategy supported by our in-house proprietary trading platform. Our fund management services are carried out by our Investment Manager, a Cayman Islands exempted company licensed with the CFTC as a commodity pool operator in the U.S., our HK Sub-Manager licensed by the SFC in Hong Kong to carry out type 9 (asset management) regulated activity, and our U.S. Sub-Manager registered with the SEC in the U.S. as an investment advisor. Typically, our strategy generates returns during periods of increased market volatility as there would be more frequent and more profound opportunities which our trading strategy would be able to identify and realise for the purpose of generating returns; whilst during low volatility periods, there would be relatively fewer in number and less profound opportunities which our trading strategy may be able to identify and realise.

We generate revenue primarily through managing funds and managed accounts on a discretionary basis. In consideration for our fund management services, our Investment Manager and/or Sub-Managers typically charge management fees and/or performance fees. The investors of funds managed by us are mainly professional investors, including collective investment undertakings, family offices, pension funds, endowments/foundations, financial institutions and high net worth individuals.

FINANCIAL INFORMATION

The following table provides a breakdown of our Group's AUM and revenue by major type of client during the Track Record Period:

	As at 31 December 2018 AUM US\$ (in million)	As at 31 December 2019 AUM US\$ (in million)	For the year ended 31 December 2018 Revenue HK\$('000)	For the year ended 31 December 2019 Revenue HK\$('000)	For the three months ended 31 March 2019 Revenue HK\$('000)	For the three months ended 31 March 2020 Revenue HK\$('000)
Collective investment undertakings	446	936	71,512	25,564	4,652	33,086
Family office	68	74	18,821	9,898	2,251	8,215
Pension funds	42	60	3,703	3,644	752	5,728
High-net-worth individuals	37	41	7,135	2,213	546	1,682
Endowments	26	24	1,628	1,888	489	483
Financial institutions	15	–	9,235	–	54	–
Principal	1	3	284	377	–	404
Total	635	1,138	112,318	43,584	8,744	49,598

For the years ended 31 December 2018 and 2019 and three months ended 31 March 2020, our revenue derived from managing discretionary investment funds and managed accounts attributed to approximately 71.0%, 98.0% and 100% of our total revenue, respectively. Further to our provision of fund management services, we also derived revenue from providing consultancy services.

Due to our trading strategy, the funds and managed accounts under our management benefited and monetised gains from larger opportunities presented at times when there is a spike in volatility in the equity markets. In 2018, the funds and managed accounts of our Group benefited from the “Volmageddon” (an unorderly unwinding of over-exposed funds (i.e. those which had accumulated large volatility short positions (or sold significant number of options) thus making them vulnerable to sudden market shocks following an extended period of market calmness that resulted in sizable volatility spread opportunities) in February 2018 as well as the declines in markets (dragged by investors' fear of rising interest rates) in October 2018 (please refer to the section “Business – Performance of Funds – Performance of True Partner Fund and True Partner Volatility Fund” in this prospectus for further details). As such, during the year, the NAV of funds and managed accounts under our management grew substantially by 97.20% to approximately US\$635 million, and we were able to generate net performance fee income of approximately HK\$86.1 million due to the meeting of high water marks in relevant investment mandates.

During 2019 however, the equity markets were relatively less volatile compared to 2018 (please refer to the table below) and led to less volatility spread opportunities which our Group could capitalise on. During such less active or volatile period, our trading strategy would be to limit positions and transaction costs as there are generally less opportunities. While we only generated a relatively modest net performance fee income of approximately HK\$8,000 for 2019, the AUM of our Group continued to

FINANCIAL INFORMATION

grow during the year by 79.21% to approximately US\$1.14 billion, and as explained in the Industry Report, such AUM was attributable to our strong performance during volatile periods or market downturns due to the strong downside capture of our funds and managed accounts.

Quantitative information regarding historical volatility in 2018 and 2019 and the first half of 2020

Across the globe, equity markets exhibited a higher degree of volatility in the year 2018 compared to the year 2019, but volatility spiked in the first half of 2020 due to the COVID-19 pandemic. The following table provides statistics on the average 20-day realised volatility (i.e. the average annualised standard deviation of daily returns over a period of 20 trading days during the respective years) for a number of major equity indices (namely Hang Seng, Nikkei 225, Kospi 200, S&P 500, FTSE and NASDAQ indices) the subject of listed options and futures traded by the Company during these periods.

	Hang Seng Index	Nikkei 225 Index	Kospi 200 Index	S&P 500 Index	FTSE Index	NASDAQ Index
Year ended 31 December 2018						
Average 20 days realised volatility	19.19	18.23	13.95	15.81	12.70	21.37
Standard deviation of the month end 20 days realised volatility	4.86	7.85	4.21	8.63	3.57	10.73
Year ended 31 December 2019						
Average 20 days realised volatility	15.12	13.46	13.13	10.66	10.92	14.26
Standard deviation of the month end 20 days realised volatility	2.54	3.34	2.00	4.89	2.86	6.13
Six months ended 30 June 2020						
Average 20 days realised volatility	26.53	31.22	32.96	38.09	33.70	38.05
Standard deviation of the month end 20 days realised volatility	11.72	15.04	19.22	31.36	21.60	30.33

Source: Bloomberg

Note: We mainly trade listed options (with short maturities) and futures on 10 equity indices in the Asia-Pacific (Nikkei, Kospi, Taiwan Stock Exchange, Hang Seng and the Australian Stock Exchange), Europe (Euro Stoxx, Dax and FTSE 100) and the U.S. (S&P 500 and Nasdaq). We trade globally with an Asian focus due to the volatility trading opportunities that are provided by the Asian market. Although our trading strategy does not have a predetermined geographic preference, the funds' portfolio tend to have a higher Asian regional allocation and a lower European allocation due to larger opportunities that Asian markets typical present. As such, we consider that the above are the main indices that are most representative of the markets in which we trade.

It is noticeable that for all indices the realised volatility in 2018 clearly exceeded that in 2019, and dramatically increased in the first half of 2020. However, other than the level of realised volatility itself, the volatility environment can also be characterised by the amount of change in the volatility level. In this regard, the standard deviation of the 20-day realised volatility in 2018 on average was nearly twice that of in 2019 on average, and that of the first half of 2020 on average was almost six times that of 2019.

FINANCIAL INFORMATION

Impact of less volatile equity markets on our financial performance

We adopt a volatility trading strategy which lends to returns during periods of increased market volatility. For information on our volatility trading strategy, please see the section headed “Relative value volatility strategy and illustration of trade process and execution” in this prospectus. During periods of relatively low volatility in the equity markets generally, there would be relatively fewer in number and less profound opportunities which our trading strategy would be able to identify and realise for the purpose of generating returns (as there would be less incidence of differential among market participants in their valuation as to what they perceive to be overpriced or undervalued options arising from changes in implied volatility, caused by disruptions to equity markets that may have resulted from a multitude of factors (such as interest rate movements, changes in credit spreads and changes in general economic and political conditions), or events. As such, our volatility trading strategy may generally be less effective in identifying and monetising opportunities during periods of relatively low volatility in the equity markets, which may result in weaker performance of our funds and managed accounts (in particular, there may be limited growth in NAV recorded by our funds and managed accounts).

As the amount of performance fees which we are entitled to charge under our investment mandates are calculated based on the absolute performance of our funds or managed accounts (as applicable), generally calculated on a high watermark basis by reference to the NAV of the relevant fund or managed account at a particular time, the inability to grow our NAV could mean the inability to achieve the relevant high watermarks in the relevant investment mandates, in which case, no performance fees could be charged. Further, as the amount of management fees which we are entitled to charge under our investment mandates is calculated as a percentage of the amount of AUM of our funds or managed accounts (as applicable), lower level of AUM growth resulting from a less volatile market would also mean that there would be lower level of growth in the amount of management fees we would be entitled to charge during such periods.

Therefore, the performance of our flagship funds were negatively affected for the year ended 31 December 2019, recording negative returns of 7.5% and 12.05% in respect of the True Partner Fund and True Partner Volatility Fund respectively (which compares to positive returns of 25.82% and 22.84% for the respective funds for the year ended 31 December 2018). As a result, we generated a relatively modest performance fee income of approximately HK\$8,000 in the year ended 31 December 2019 (compared to performance fee income of approximately HK\$94.5 million in the year ended 31 December 2018) and incurred a net loss before income tax of approximately HK\$20.7 million.

FINANCIAL INFORMATION

Impact of more volatile equity markets on our financial performance

Conversely, during periods of relatively high volatility in the equity markets generally, there would be more frequent and more profound opportunities which our trading strategy would be able to identify and realise for the purpose of generating returns (as there would be more incidence of differential among market participants in their valuation as to what they perceive to be overpriced or undervalued options arising from changes in implied volatility, caused by disruptions to equity markets that may have resulted from a multitude of factors or events). As such, our volatility trading strategy may generally be more effective in identifying and monetising opportunities during periods of relatively more volatility in the equity markets, which may result in stronger performance of our funds and managed accounts (in particular, there may be significant growth in NAV recorded by our funds and managed accounts).

As such, although we only generated a modest performance fee income for the year ended 31 December 2019, with more trading opportunities arising from a more volatile equity market environment in the first half of 2020 due to the COVID-19 pandemic which we were able to monetise (for example, the True Partner Fund and the True Partner Volatility Fund experienced monthly gains in March 2020 of 10.10% and 12.9%, respectively), we were able to generate approximately HK\$43.1 million in performance fee income for the first half of 2020 (unaudited) which resulted from our ability to achieve high watermarks in various investment mandates concerning our funds and managed accounts. Further, our management fee income increased from approximately HK\$19.2 million for the first half of 2019 to approximately HK\$29.4 million (unaudited) for the first half of 2020, primarily due to significant increase in our AUM from approximately US\$635 million as at 1 January 2019 to approximately US\$1.357 billion as at 30 June 2020.

In addition to performance fees, we charge the funds and managed accounts under our management a management fee which is calculated based on a percentage of investment amount (and is therefore directly correlated to AUM rather than performance). As the AUM of our Group continued to grow over the Track Record Period, from US\$322 million as at 31 December 2017, to US\$635 million as at 31 December 2018, to US\$1.14 billion as at 31 December 2019 and to US\$1.37 billion as at 31 March 2020, the amount of net management fee income generated increased from HK\$14.5 million for the year ended 31 December 2018 to HK\$36.7 million for the year ended 31 December 2019, and increased from HK\$7.3 million for the three months ended 31 March 2019 to HK\$12.3 million for the three months ended 31 March 2020.

Due to the continued growth in AUM of our Group, our senior management made a conscious decision in 2019 to redirect resources from the provision of consultancy services to further focus on our core fund management services. This follows the termination of the consultancy agreement with Capital Futures Corp., the largest customer of our consultancy services over the Track Record Period.

FINANCIAL INFORMATION

Overall, over the Track Record Period, our revenue decreased from approximately HK\$158.2 million for the year ended 31 December 2018 to approximately HK\$44.5 million for the year ended 31 December 2019, representing a decrease of approximately HK\$113.7 million or 71.9%. In particular, our revenue from managing funds and managed accounts decreased from approximately HK\$112.3 million to approximately HK\$43.6 million over the relevant periods, representing a decrease of approximately HK\$68.7 million or 61.2%, primarily due to low fund performance in 2019 compared to 2018. Our reduction of performance fee income in 2019 was partially offset by an increase in management fee income arising from an increased in our Group's AUM. Our revenue from consultancy services decreased from approximately HK\$45.9 million for the year ended 31 December 2018 to approximately HK\$0.9 million for the year ended 31 December 2019, representing a decrease of approximately HK\$45.0 million or 98.1%, primarily attributable to the termination of our consultancy services agreement as described above.

Our revenue increased from HK\$8.7 million for the three months ended 31 March 2019 to HK\$49.6 million for the three months ended 31 March 2020, representing an increase of approximately HK\$40.8 million or 4.7 times. Such increase was mainly due to (i) an increase in performance fee income attributable to the increased performance of our funds and managed accounts; and (ii) an increase in management fee income as a result of an increase in AUM for between the two periods.

Our management fee income increased from approximately HK\$8.7 million for the three months ended 31 March 2019 to approximately HK\$14.2 million for the three months ended 31 March 2020. Such increase was mainly due to an increase in our AUM from approximately US\$635 million as at 1 January 2019 to approximately US\$1.138 billion as at 1 January 2020. As at 31 March 2020, our AUM amounted to approximately US\$1.373 billion.

We did not generate performance fee income in Q1 2019 but with positive performances of our funds under management in Q1 2020, we generated approximately HK\$35.4 million in performance fee income for the three months ended 31 March 2020. Such performance fee income resulted from positive performance of the funds and managed accounts under management as the trading strategy of our Group was able to monetise on market opportunities in a more volatile equity market environment in Q1 2020 caused by the COVID-19 pandemic.

For the year ended 31 December 2018, we incurred net profit before income tax of approximately HK\$97.9 million, and for the year ended 31 December 2019, we incurred a net loss before income tax of approximately HK\$20.7 million, representing a decrease of approximately HK\$118.5 million or 121.0%. This decrease was primarily attributable to the decrease in our revenue of approximately HK\$113.7 million between the periods.

For the three months ended 31 March 2019, we incurred a net loss after tax of approximately HK\$3.4 million, and for the three months ended 31 March 2020, we incurred a net profit after tax of approximately HK\$10.8 million, representing an increase in net profit of approximately HK\$14.4 million or 4 times. This increase was primarily attributable to the increase in our revenue in the amount of approximately HK\$40.9 million between the periods, primarily due to (i) an increase in performance fee income of as a result of strong fund performance in Q1 2020 as compared to Q1 2019 which we attribute to the positive performance of the funds and managed accounts under our management during a more

FINANCIAL INFORMATION

volatile equity market environment in Q1 2020 caused by the COVID-19 pandemic; (ii) an increase in management fee income in Q1 2020 as a result of an increase in AUM between the periods, partially offset by the incurrence of Listing expenses of approximately HK\$10.6 million in Q1 2020.

We incurred a net loss margin of approximately 40.8% for the three months ended 31 March 2019 and a net profit margin of approximately 21.8% for the three months ended 31 March 2020. Had the Listing expenses been excluded, our net profit margin for the three months ended 31 March 2020 would be approximately 43.2%.

Worst-case scenario of the impact of COVID-19 on our Group

As explained in “Summary – Impact of the COVID-19 pandemic on our business”, the coronavirus has limited implications on our Group from an operational perspective. Short of an extreme situation where investors withdraw investments from financial markets, our Directors believe that the most pertinent adverse impact on our Group that may be caused by prolonged effects of the COVID-19 pandemic would be the inability, or impaired ability, of our Group in attracting additional capital into our funds (due to the inability of certain prospective investors to conduct onsite due diligence or for other reasons). In such extreme worst-case scenario, our Directors estimate that our Group’s existing financial resources (including existing cash and cash equivalents and receivables) as at 31 July 2020 (being our latest management account date) would be sufficient to maintain our Group’s financial viability for approximately 19 months from August 2020 without utilising any net proceeds from the Share Offer in settling our estimated monthly fixed costs (including office leases, staff costs etc.) and other outstanding accruals and payables.

The key assumptions used in such worst case scenario include: (i) no additional AUM will be invested in our Group’s funds or managed accounts; (ii) our Group’s income from August to December 2020 will be derived solely from the charging of management fees (i.e. no performance fee may be charged) and no further income is assumed beyond that; (iii) all of our Group’s staff would nevertheless be retained; (iv) all property related payments including rentals, management fees and other miscellaneous charges will be fully settled; (v) general operating and administrative expenses will nevertheless be incurred to maintain operations; (vi) the business expansion plans of our Group shall be delayed under such conditions; (vii) there will be no further internal or external financing from Shareholders; (viii) no dividend will be declared and paid under such situation; and (ix) no discretionary bonus linked to performance fee income will be paid as no such income may be charged.

The above reflects an extremely conservative worst-case hypothetical scenario for illustrative purposes only. In this scenario, the revenue generated from August to December 2020 would be approximately HK\$21.4 million (which would be solely from management fees). Our Group would not generate management fees only in a situation where all investments in all our funds and managed accounts have been redeemed by all of its investors (i.e. the AUM of our Group is reduced to zero), in which case all of the unrealised net performance fees as at 31 July 2020 would also become immediately realised. In such instance, a significant part of the net unrealised performance fee as at 31 July 2020 might be recognised and therefore this would not be the worst-case scenario. Unlike, for example, retail or manufacturing businesses which may be forced to suspend their businesses as a result of the restrictions or measures imposed by the governments due to the ongoing coronavirus pandemic, the no revenue assumption is not applicable to our Group’s business.

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 23 November 2018. 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 the holding company of the subsidiaries comprising our Group.

The financial statements contained in the Accountants’ Report relate to the Company and its subsidiaries and has been prepared as if our Group had always been in existence.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of our Group include the results of operations of the entities now comprising our Group for the years ended 31 December 2018 and 2019 as if the Reorganisation was completed at the beginning of these periods. The statements of financial position of our Group as at 31 December 2018 and 2019 and 31 March 2020 have been prepared to present the combined state of affairs of the entities now comprising our 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, balances, income and expenses have been eliminated on combination.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been, and expected to continue to be, affected by a number of factors, which primarily include the following:

Our Group’s results of operations and financial condition may be materially and adversely affected by the investment performance of our funds and managed accounts that we provide investment management services to

Our profitability is materially and adversely affected by the investment performance of the funds and managed accounts that we provide investment management services to.

Poor investment performance may materially and adversely affect the revenue that we receive through performance and management fees. Performance fees are charged with reference to the performance of our funds and managed accounts under management, and are typically calculated based on the absolute performance of the relevant fund or managed account (generally calculated on a high watermark basis by reference to the NAV of the relevant fund or managed account). As the level of performance fees we earn is directly linked to increases in fund performance, fund performance can have a significant impact on our financial results. In addition, performance fees will vary from period to period due to fluctuations in investment returns, causing earnings to be more volatile than the scenario where assets are not managed on a performance fee basis. For example, for the years ended 31 December 2018 and 2019, our performance fee income amounted to approximately HK\$94.5 million and HK\$8,000, respectively, representing approximately 84.1% and 0.02% of our fund management business revenue, respectively, and a decrease of approximately HK\$94.5 million or 99.99%. This decrease was primarily due to low fund performance in 2019 as compared to 2018 which we attribute to the occurrence of reduced market volatility in 2019 as compared to market volatility spikes in 2018 (which is in accordance

FINANCIAL INFORMATION

with our trading strategy which typically is more profitable during periods of increased market volatility). Such volatility in earnings may have a material adverse effect on our Group's business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition.

Management fees are charged on a monthly basis calculated using a percentage of the NAV of the shares of the relevant fund or managed account. In the years ended 31 December 2018 and 2019, the increase in NAV due to fund performance as well as the increased investment were approximately US\$313.0 million and US\$503.1 million, respectively.

While it is the intention of our Company to invest in accordance with our investment objectives and approach as soon as practicable, we cannot be certain that the investment objectives and approach of our funds and managed accounts will be achieved and will result in any investment returns. Ultimately this would affect our ability to generate fees.

The profitability of our trading strategy and the performance of our funds and managed accounts are subject to various factors. We adopt a global equity relative value volatility strategy. For further information, please see the section headed "Business – Our investment approach" and "Relative value volatility strategy and illustration of trade process and execution" in this prospectus. The prices of the instruments traded have been subject to periods of significant low volatility in the past and such periods can be expected to recur. Lack of price movement are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest rate movements, commodities, credit spreads and general economic and political conditions. Lack of volatility can result in losses for certain of our funds and managed accounts' positions that profit from price movements under our trading strategy. In addition, our strategy involves buying mainly relatively undervalued and selling relatively overvalued listed options on global equity indices. The identification of such investment opportunities is a difficult task, and there are no assurances that such opportunities will be successfully recognised or acquired, and involve a high degree of financial risk and can result in substantial losses.

Furthermore, certain investments may be based on the outcomes of specific situations anticipated by the Investment Manager and Sub-Managers, and certain other investments may be based on the anticipated outcomes of broader changes in markets or the economy. If the outcomes are not as anticipated, our funds and managed accounts could suffer losses and loss of opportunities for alternative investments. Our trading strategy uses quantitative methods and modelling, and investments selected using quantitative methods and modelling may not perform as expected for several reasons, including factors used in building the quantitative analytical framework, the weights placed on each factor, and changing sources of market risk and returns. Errors in the quantitative models or analysis, or the data on which the quantitative models are based, could adversely affect the use of the models or analysis and negatively affect our funds and managed accounts' performance. The performance of our funds and managed accounts is also subject to the speed and efficiency of executing transactions, as well as the ability of our personnel to accurately process computerised trading systems' outputs, use the proper trading orders, and properly operate and maintain the computer and communication systems upon which the trading systems rely.

FINANCIAL INFORMATION

The investment performance of our funds and managed accounts is subject to numerous other factors which are neither within the control of or predictable by our Group or the Investment Manager or the Sub-Managers. Such factors include a wide range of economic, political, competitive, technological and other conditions (including acts of terrorism and war) that may affect investments of the funds and managed accounts in exchange listed products.

Moreover, if our investment performance is not satisfactory, existing investors in our funds and managed accounts may decide to reduce, redeem, withdraw or sell their investments. They may also choose to transfer mandates to other fund managers who may be competing with us. Going forward, we may be unable to win new fund management business. Poor performance relative to other fund management firms may result in reduced purchases or subscriptions in the funds and managed accounts managed by us. As a result, investment underperformance of our funds and managed accounts could have a material adverse effect on our business, growth prospects, net inflows of AUM, fee income, results of operations and/or financial condition. Where the amount of management fees charged in a financial period is insufficient to cover operating costs and/or we are only able to generate limited or no performance fees during the relevant periods due to low volatility in equity markets, we may incur a loss. For reference, our Group underwent a loss-making period over its start-up stages whereby management fees were unable to cover operating costs, leading to an accumulated loss of approximately HK\$19.8 million as at 1 January 2018.

The following table sets out a sensitivity analysis of hypothetical fluctuations in our management fee income and performance fee income, with other assumptions held constant, and their effect on our profit before tax for the periods indicated. Fluctuations in our management fee income and performance fee income are assumed to be 10%, 20% and 30%.

**Hypothetical fluctuations in
management fee income**

	+/- 10% <i>(HK\$'000)</i>	+/- 20% <i>(HK\$'000)</i>	+/- 30% <i>(HK\$'000)</i>
Increase/decrease in profit before tax			
Year ended 31 December 2018	+/- 1,783	+/- 3,567	+/- 5,350
Year ended 31 December 2019	+/- 4,358	+/- 8,715	+/- 13,073
Three months ended 31 March 2019	+/- 874	+/- 1,749	+/- 2,623
Three months ended 31 March 2020	+/- 1,424	+/- 2,848	+/- 4,272

**Hypothetical fluctuations in
performance fee income**

	+/- 10% <i>(HK\$'000)</i>	+/- 20% <i>(HK\$'000)</i>	+/- 30% <i>(HK\$'000)</i>
Decrease/increase in profit before tax			
Year ended 31 December 2018	+/- 9,448	+/- 18,897	+/- 28,345
Year ended 31 December 2019	+/- 1	+/- 2	+/- 2
Three months ended 31 March 2019	N/A	N/A	N/A
Three months ended 31 March 2020	+/- 3,536	+/- 7,072	+/- 10,608

The above analysis of historical financials is based on assumptions and is for illustrative purposes only and should not be viewed as the actual effect of such hypothetical fluctuations.

FINANCIAL INFORMATION

Our financial results are subject to our ability to attract and retain AUM

Our ability to attract and retain AUM has a significant impact on our financial results. During the years ended 31 December 2018 and 2019 and the three months end 31 March 2020, our AUM increased by approximately US\$313.0 million, US\$503.1 million and US\$235.0 million, respectively. The increase in AUM over the Track Record Period was primarily due to new investors in funds launched by us, as well as increased investment by three major existing investors who invested in new Managed Account A, new Managed Account B and new IAM True Partner Volatility UCITS Fund (all of which were launched during the Track Record Period specifically for these three investors).

We derive a large portion of our fee income from performance fees and management fees based respectively on the investment performance and the NAV of the funds and managed accounts. An investor's ability to withdraw and/or redeem interests or shares from our funds and managed accounts is restricted in accordance with the withdrawal and/or redemption provisions contained in the private placement memorandum and offering memorandum of our funds and managed accounts. In the event that there are substantial withdrawals or redemptions by investors within a short period of time, our funds and managed accounts would have to liquidate securities positions and other investments more rapidly than would otherwise be desirable, possibly reducing the value of the funds and managed accounts' assets and/or disrupting our funds and managed accounts' trading strategy. As such, a reduction in the asset value of our funds and managed accounts could make it more difficult to generate a more positive return or to recoup losses due to, among other things, a reduction in our funds and managed accounts' ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses. A decline in our funds and managed accounts' performance and NAV or in the value of our Group's AUM, and/or a reduction in fees payable to us, could have a material adverse effect on our business, growth prospects, fee income, results of operations and/or financial condition.

Our growth in profits substantially depends on increasing our AUM, especially as our management fee income levels are tied to the size of our AUM. Our AUM increased by approximately 79.2% from approximately US\$635.0 million as at 31 December 2018 to US\$1.138 billion as at 31 December 2019 and further increased by approximately 20.7% to approximately US\$1.373 billion as at 31 March 2020. Our Group's total AUM has subsequently increased to US\$1.389 billion as at 31 July 2020 and amounted to approximately US\$1.579 billion as at 31 August 2020. We may fail to attract new AUM in the future if investors are not attracted to our global equity relative value volatility strategy. We may have difficulty selling our volatility strategy to potential investors. Generally, the time period between first meeting potential investors and investments by such investors in our funds and managed accounts is protracted. If we fail to increase our AUM in line with our business objectives, our business growth may be materially impaired. This could have a material adverse effect on our Group's fee income, results of operations and/or financial condition.

The following tables set out sensitivity analyses of hypothetical fluctuations (of increases or decreases of 30%, 60% and 90%) in our average AUM, and their effect on our management fee income and net profit for the years ended 31 December 2018 and 2019 and the three months ended 31 March 2019 and 2020 respectively, using actual net management fee margins of 0.43%, 0.56%, 0.14% and 0.13% for the corresponding periods, respectively, whilst other variables such as operating expenses remain unchanged:

FINANCIAL INFORMATION

Hypothetical fluctuation in average AUM

Increase/decrease in net management fee	+/-30% (HK\$'000)	+/-60% (HK\$'000)	+/-90% (HK\$'000)
Year ended 31 December 2018	+/- 4,300	+/- 8,600	+/- 12,900
Year ended 31 December 2019	+/- 11,018	+/- 22,035	+/- 33,053
Three months ended 31 March 2019	+/- 2,239	+/- 4,479	+/- 6,718
Three months ended 31 March 2020	+/- 3,826	+/- 7,653	+/- 11,479
 Increase/decrease in net profit	 +/-30% (HK\$'000)	 +/-60% (HK\$'000)	 +/-90% (HK\$'000)
Year ended 31 December 2018	+/- 3,737	+/- 7,474	+/- 11,212
Year ended 31 December 2019	+/- 11,336	+/- 22,673	+/- 33,053
Three months ended 31 March 2019	+/- 2,274	+/- 4,548	+/- 6,822
Three months ended 31 March 2020	+/- 3,070	+/- 6,139	+/- 9,209

The above analyses of historical financials are based on hypothetical assumptions and are disclosed for illustrative purposes only. They should not be viewed as the actual effect of such hypothetical fluctuations.

We rely on our top clients and investors and their investment preferences may change from time to time

We generate a significant portion of our revenue from the top investors in our funds and managed accounts. For the years ended 31 December 2018 and 2019 and three months ended 31 March 2020, (i) revenue generated from the five largest investors (in terms of contribution to our fund management business revenue) amounted to, in aggregate, approximately HK\$79.0 million, HK\$23.4 million and HK\$28.6 million, respectively, which accounted for approximately 70.40%, 53.6% and 57.7% of our fund management business revenue for the respective periods; and (ii) revenue generated from our largest investor (in terms of contribution to our fund management business revenue) amounted to approximately HK\$43.1 million, HK\$6.6 million and HK\$12.3 million, respectively, which accounted for approximately 38.4%, 15.2% and 24.8% of our fund management business revenue for the respective periods.

There is no assurance that our relationship with these top investors will not deteriorate and/or that they will not terminate the use of our fund management services in the future. Their decisions to reduce, redeem, withdraw or sell their investments in our funds and/or managed accounts during any particular period may depend on their investment appetite and preference at the time, which may be affected by their personal assessment of our trading strategy and the outlook of the market based on prevailing market conditions, as well as other factors beyond our or their control.

In addition, we rely on our management and sub-management agreements to derive revenue. Certain of our management and sub-management agreements have been entered into by our Investment Manager and/or Sub-Managers with fund companies or investment managers controlled by third parties. There is no assurance that our relationship with such third parties will not deteriorate and/or that they will not terminate these management and sub-management agreements in the future.

FINANCIAL INFORMATION

We rely on our capital introduction partners to assist us in sourcing investors

As at 31 December 2018 and 2019 and 31 March 2020, approximately US\$524.8 million, US\$989.8 million and US\$1.162 billion of our AUM, respectively, representing approximately 82.6%, 87.0% and 84.6% of our total AUM, respectively, were sourced with the assistance of our capital introduction partners. During the Track Record Period, fees paid to capital introduction partners amounted to approximately HK\$11.7 million, HK\$6.9 million and HK\$2.8 million, respectively, representing approximately 10.4%, 15.8% and 5.6% of our fee income, respectively. Fees paid to capital introduction partners are subject to the management and performance fee income we receive from the investors introduced by the respective capital introduction partner.

Further, we cannot give any assurance that our relationship with these capital introduction partners will not deteriorate and/or that our contractual agreements and arrangements with them will not be terminated in the future. If any of the agreements and arrangements is terminated and we are unable to find alternative capital introduction partners on a timely basis or on equivalent terms or of similar quality, our ability to source new investments from potential investors into our funds and managed accounts could be severely impaired. In addition, we cannot give any assurance that our fees paid to capital introduction partners will not change. Although it is our strategy to shift from engaging capital introduction partners to internalising our marketing activities, we cannot give any assurance that any new in-house marketing and investor relations personnel will be effective in sourcing new investors. Our inability to source new investors could have a material and adverse impact on our Group's fee income, results of operations and/or financial condition.

The following table sets out a sensitivity analysis of hypothetical fluctuations in our fees paid to capital introduction partners, with other assumptions held constant, and their effect on our profit before tax for the year indicated. Fluctuations in fees paid to capital introduction partners are assumed to be 10%, 20% and 30%.

Hypothetical fluctuations in fees paid to capital introduction partners	+/- 10% <i>(HK\$'000)</i>	+/- 20% <i>(HK\$'000)</i>	+/- 30% <i>(HK\$'000)</i>
Decrease/increase in profit before tax			
Year ended 31 December 2018	-/+ 1,175	-/+ 2,349	-/+ 3,524
Year ended 31 December 2019	-/+ 689	-/+ 1,379	-/+ 2,068
Three months ended 31 March 2019	-/+ 145	-/+ 289	-/+ 434
Three months ended 31 March 2020	-/+ 279	-/+ 559	-/+ 838

The above analysis of historical financials is based on assumptions and is for illustrative purposes only and should not be viewed as the actual effect of such hypothetical fluctuations.

Ability to control our staff benefits

We rely on our staff to provide portfolio management services to our funds and managed accounts, as well as develop the relevant technologies. Staff benefits constituted the largest component of our operating expenses over the Track Record Period, with the cost of staff benefits amounting to approximately HK\$33.4 million, HK\$29.9 million and HK\$18.1 million, for the years ended 31

FINANCIAL INFORMATION

December 2018 and 2019 and three months ended 31 March 2020, respectively, and accounting for approximately 21.0%, 67.1%, and 36.5% of our fund management business revenue in the respective periods.

The following table sets out a sensitivity analysis of hypothetical fluctuations in staff benefits, with other assumptions held constant, and their effect on our profit before tax for the year indicated. Fluctuations in staff benefits are assumed to be 10%, 20% and 30%.

Hypothetical fluctuations in staff benefits	+/- 10% <i>(HK\$'000)</i>	+/- 20% <i>(HK\$'000)</i>	+/- 30% <i>(HK\$'000)</i>
Decrease/increase in profit before tax			
Year ended 31 December 2018	-/+ 3,339	-/+ 6,679	-/+ 10,018
Year ended 31 December 2019	-/+ 2,986	-/+ 5,971	-/+ 8,957
Three months ended 31 March 2019	-/+ 587	-/+ 1,173	-/+ 1,760
Three months ended 31 March 2020	-/+ 1,808	-/+ 3,617	-/+ 5,425

The above analysis of historical financials is based on assumptions and is for illustrative purposes only and should not be viewed as the actual effect of such hypothetical fluctuations.

We expect that costs and expenses relating to staff benefits to continue to be our most significant operating expenses going forward, particularly in light of the continued expansion of our business. Our ability to control such costs and expenses may significantly affect our business, results of operations and profitability.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA.

The preparation of the consolidated financial statements requires us to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future. Significant accounting policies adopted by our Group are set out in detail in note 2.3 of the Accountants' Report in Appendix IA to this prospectus.

The following is a summary of the critical accounting policies applied in the preparation of our Group's consolidated financial statements.

Revenue recognition

Revenue is measured based on the consideration to which our Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when our Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The

FINANCIAL INFORMATION

amount of revenue recognised is the amount allocated to the satisfied performance obligation. Revenue is recognised to the extent that it is probable that the economic benefits will flow to our Group and the revenue can be reliably measured, on the following basis:

(a) *Management and performance fee income*

Management and performance fee income is recognised over time with reference to time elapsed, which faithfully depicts the relative value of the services provided to the customer to date. Management fee is determined based on the net assets value under management. Performance fee is receivable if and when certain conditions are met. The performance fee is variable consideration which is only included in the transaction price if it is highly probable that the amount of revenue recognised would not be subject to significant future reversals as a result of subsequent re-estimation.

(b) *Consultancy services*

Consultancy service fee income is recognised at a point in time when the relevant services have been rendered.

(c) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(d) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

Effect of the adoption of HKFRS 15 Revenue from Contracts with Customers

We have elected to consistently apply HKFRS 15 throughout the Track Record Period when preparing our financial information. HKFRS 15 establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18, HKAS 11 and related interpretations.

Upon the adoption of HKFRS 15, our Group recognises revenue when (or as) a performance obligation is satisfied, that is when “control” of the goods or services underlying the particular performance obligation is transferred to customers. Under HKFRS 15, our Group recognises performance obligations that have not yet been satisfied but for which our Group has received consideration as contract liabilities. Our Group has no contract liabilities as at 31 December 2018 and 2019, respectively.

We concluded that the adoption of HKFRS 15 has no significant impact on our consolidated financial statements.

FINANCIAL INFORMATION

Effect of the adoption of HKFRS 9 Financial Instruments

We adopted HKFRS 9 from 1 January 2018 onwards and applied HKAS 39 Financial Instruments: Recognition and Measurement prior to 1 January 2018 when preparing our financial information. HKFRS 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities; and (ii) expected credit losses for financial assets.

All of our financial assets and liabilities continue to be measured at the same measurement basis under HKAS 39.

A key requirement of HKFRS 9 which is relevant to our Group is in relation to the impairment of financial assets, of which HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

We have applied HKFRS 9 in accordance with the transitional provisions set out in HKFRS 9, that is we have applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (being the date of initial application) and have not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and 1 January 2018 of approximately HK\$3.9 million was recognised in the other components of equity, without restating comparative information.

We concluded that the adoption of HKFRS 9 has no other significant impact on our consolidated financial statements.

Impairment of non-financial assets

At the end of each reporting period, our Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that these non-financial assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of 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 risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

FINANCIAL INFORMATION

Leases

We had elected to consistently apply HKFRS 16 throughout the Track Record Period when preparing our financial information. We applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application of 1 January 2019. HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 and the related interpretations when it becomes effective. HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

Our Group applies the short-term lease recognition exemption to leases of leasehold land and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Except for short-term leases, our Group recognises right-of-use assets at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, our Group currently presents operating lease payments as operating cash flows. Upon the application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows, respectively.

Based on the assessment by our Directors, the adoption of HKFRS 16 did not have any material impact on our financial position and performance when compared to that of HKAS 17.

SUMMARY RESULTS OF OPERATIONS

The following table sets out selected consolidated statement of comprehensive income for the Track Record Period, as derived from the Accountants' Report set out Appendix IA to this prospectus.

Operating results in any historical period may not be indicative of the results that may be expected in any future period.

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED ITEMS IN CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
Revenue	158,171	44,478	8,744	49,598
Other income	20	289	85	55
Direct costs	(11,747)	(6,894)	(1,446)	(2,794)
Fair value gain/(loss) on financial assets at fair value through profit or loss	275	(1,222)	(183)	2,392
General and administrative expenses	(48,887)	(49,716)	(10,711)	(22,500)
Listing expense	–	(7,495)	–	(10,598)
Finance costs	(3)	(135)	(1)	(37)
Profit/(loss) before income tax	97,829	(20,695)	(3,512)	16,116
Income tax expense	(12,803)	(382)	(54)	(5,284)
Profit/(loss) for the year/period	85,026	(21,077)	(3,566)	10,832
Other comprehensive loss				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(165)	–	2	(10)
Item that will not be reclassified to profit or loss:				
Fair value loss on financial assets designated at fair value through other comprehensive income	(5,149)	(1,059)	(302)	(1,181)
Other comprehensive loss	(5,314)	(1,059)	(300)	(1,191)
Total comprehensive income/(loss) for the year/period	<u>79,712</u>	<u>(22,136)</u>	<u>(3,866)</u>	<u>9,641</u>
Total comprehensive income/(loss) for the year/period attributable to:				
Owners of the Company	78,716	(22,815)	(3,976)	9,453
Non-controlling interest	996	679	110	188
	<u>79,712</u>	<u>(22,136)</u>	<u>(3,866)</u>	<u>9,641</u>

Revenue

We mainly provide investment management services to funds and managed accounts. During the Track Record Period, we also derived revenue from providing consultancy services.

During the Track Record Period, we generated revenue primarily from (i) performance fee income; (ii) management fee income; and (iii) consultancy services.

FINANCIAL INFORMATION

The following table sets out a breakdown of our revenue for the Track Record Period:

	Year ended 31 December				Three months ended 31 March			
	2018		2019		2019		2020	
	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue	HK\$'000	% of revenue
Revenue from funds and managed accounts								
Management fee income	17,834	11.3	43,576	98.0	8,744	100.0	14,239	28.7
Performance fee income								
(Note)	94,484	59.7	8	0.0	–	–	35,359	71.3
<i>Sub-total</i>	112,318	71.0	43,584	98.0	8,744	100.0	49,598	100.0
Revenue from consultancy services								
	45,853	29.0	894	2.0	–	–	–	–
Total	<u>158,171</u>	<u>100.0</u>	<u>44,478</u>	<u>100.0</u>	<u>8,744</u>	<u>100.0</u>	<u>49,598</u>	<u>100.0</u>

Note: The performance fee income of our Group dropped significantly in the financial year ended 31 December 2019 primarily due to low fund performance in 2019 (which is in accordance with our trading strategy) as compared to 2018, which we attribute to the occurrence of reduced market volatility in 2019 as compared to market volatility spikes in 2018.

Our revenue decreased from approximately HK\$158.2 million for the year ended 31 December 2018 to approximately HK\$44.5 million for the year ended 31 December 2019, representing a decrease of approximately HK\$113.7 million or 71.9%. This decrease was primarily attributable to (i) the decrease in performance fee income in 2019 as a result of a decrease in the performance of our funds and managed accounts; and (ii) the decrease in our revenue from consultancy services in 2019 as a result of the termination of our consultancy services agreement with our largest customer of consultancy services in December 2018; partially offset by the increase in management fees as a result of the increase in AUM from 2018 to 2019.

Our revenue increased from approximately HK\$8.7 million for the three months ended 31 March 2019 to approximately HK\$49.6 million for the three months ended 31 March 2020, representing an increase of approximately HK\$40.9 million or 4.7 times. Such increase was mainly attributable to (i) the increase in performance fee income attributable to the increase in performance of our funds and managed accounts under management; and (ii) an increase in management fee income as a result of the increase in AUM between the periods.

FINANCIAL INFORMATION

The following table sets out our gross management fee income and performance fee income and net management fee income and performance fee income by fund/managed account over the Track Record Period.

Fund	Year ended 31 December				Three months ended 31 March			
	2018		2019		2019		2020	
	Gross management and performance fee income	Net management and performance fee income	Gross management and performance fee income	Net management and performance fee income	Gross management and performance fee income	Net management and performance fee income	Gross management and performance fee income	Net management and performance fee income
	(HK\$'000) ⁽¹⁾	(HK\$'000) ⁽²⁾	(HK\$'000) ⁽¹⁾	(HK\$'000) ⁽²⁾	(HK\$'000) ⁽¹⁾	(HK\$'000) ⁽²⁾	(HK\$'000) ⁽¹⁾	(HK\$'000) ⁽²⁾
True Partner Fund	48,673	44,065	31,942	26,508	7,635	6,331	37,389	35,898
True Partner Volatility Fund	44,147	38,086	3,791	3,791	541	541	1,364	1,364
IAM True Partner Volatility UCITS Fund	-	-	2,039	2,032	-	-	3,335	3,214
Co-branded fund A (closed)	85	85	-	-	-	-	-	-
Managed accounts ⁽³⁾	19,413	18,335	5,812	4,359	568	426	7,510	6,328
Total	112,318	100,571	43,584	36,690	8,744	7,298	49,598	46,804

Notes:

- (1) Gross management fee income means total income derived from the management of funds (including management fees, net of rebates to investors) other than performance fees. Gross performance fee income means total income derived from performance fees, net of rebates to investors.
- (2) Net management and performance fee income means total income derived from management and performance fees net of capital introduction partner fees attributable to the management and performance fees.
- (3) During the Track Record Period, we managed four managed accounts (two of which were terminated in 2019).

The following table sets out certain operating data of our funds and managed accounts during the Track Record Period:

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
AUM at year end (US\$ in million)	635.0	1,138.0	737	1,373.1
Average AUM (US\$ in million) ⁽¹⁾	430.2	846.2	688.8	1,265.5
Net fee income margin (%) ⁽²⁾	3.0	0.6	0.14 ⁽⁵⁾	0.48 ⁽⁵⁾
Net performance fee margin (%) ⁽³⁾	2.58	0.01	0	0.35 ⁽⁵⁾
Net management fee margin (%) ⁽⁴⁾	0.43	0.56	0.14 ⁽⁵⁾	0.13 ⁽⁵⁾

Notes:

- (1) Average AUM is the sum of the month-end AUM divided by the number of months in the given year/period.

FINANCIAL INFORMATION

- (2) Net fee income margin is the gross management and performance fee income less fees paid to capital introduction partners divided by the average AUM for the year/period indicated.
- (3) Net performance fee margin is the net performance fee divided by the average AUM for the year/period indicated.
- (4) Net management fee margin is the net management fee divided by the average AUM for the year/period indicated.
- (5) Figures are not annualised.

As at 31 December 2018, 2019 and 31 March 2020, the AUM contributed by Managed Account A and IAM True Partner Volatility UCITS Fund in aggregate represented approximately 19.7%, 49.1% and 51.4% of the total AUM of our Group, respectively.

Management fee income

Our management fee income primarily consists of income derived from management fees (which is charged on a monthly basis calculated using a percentage of the NAV of the shares of the relevant fund). For further information, please see the section headed “Business – Investment management – Our investment management fees” in this prospectus.

For the financial years ended 31 December 2018 and 2019 and the three months ended 31 March 2020, approximately 44%, 60% and 61%, respectively, of the total AUM of our Group were chargeable with management fees, whereas the remainder of AUM were not chargeable with management fees, respectively. In this regard, it is important to note that our Group always strives to negotiate, in respect of those institutional investors which are charged a lower or nil management fee, a higher performance fee upon achievement of relevant high watermarks in their investment mandates. However, we may not necessarily succeed in negotiating a higher performance fee in each case where we agree on a lower management fee. In respect of those investors in our flagship funds (i.e. the True Partner Fund and the True Partner Volatility Fund) and managed accounts which were offered preferential fee treatment (i.e. charged a lower management fee than 2% at the time), we were able to negotiate a higher performance fee (above 20%) in respect of four investors (out of 18 of such investors with preferential fee treatment), and these investors attributed to in aggregate (i) approximately 15.9%, 7.3% and 7.5% of our total AUM as at 31 December 2018, 31 December 2019 and 31 March 2020, respectively; and (ii) approximately 12.0%, 12.9% and 3.7% of our total revenue contribution for the years ended 31 December 2018 and 2019 and three months ended 31 March 2020, respectively. Further, where an investor has negotiated nil management fees, the relevant increase in AUM may not necessarily result in an increase in our fee income. As at 31 December 2018 and 2019 and 31 March 2020, 48.4%, 75.7% and 62.5%, respectively, of the increase in our Group’s AUM during the respective year/period were chargeable with a lower management fee, while 44.8%, 20.7% and 33.5%, respectively, of the increase in our Group’s AUM during the respective year/period were chargeable with nil management fee rate.

For the years ended 31 December 2018 and 2019, our management fee income amounted to approximately HK\$17.8 million and HK\$43.6 million, respectively, representing approximately 15.9% and 99.98% of our fund management business revenue, respectively, and an increase of approximately HK\$25.7 million or 144.3%. This increase was primarily attributable to the increase in AUM from 2018 to 2019 which we attribute to the increased investment by our two major existing investors who invested in new IAM True Partner Volatility UCITS Fund and new Managed Account B, respectively (both of which were launched in 2019 specifically for these investors), increased investment in Managed Account A, as well as new investors in funds launched by us.

FINANCIAL INFORMATION

Our management fee income increased from approximately HK\$8.7 million for the three months ended 31 March 2019 to approximately HK\$14.2 million for the three months ended 31 March 2020 representing an increase of HK\$5.5 million or 62.8%. Such increase was mainly due to an increase in our AUM from approximately US\$635 million on 1 January 2019 to approximately US\$1.138 billion on 1 January 2020. As at 31 March 2020, our AUM was approximately US\$1.373 billion.

Our net management fee margin increased from 0.43% for the year ended 31 December 2018 to 0.56% for the year ended 31 December 2019, primarily attributable to (i) the relatively lower referral fee rate paid to the capital introduction partners; and (ii) the investors who invested later were subject to higher management fee rates compared to those who invested earlier. We consider that this has been made possible as we have developed our reputation, established a track record in managing volatility funds, and more investors seek to invest in volatility funds as a method of portfolio protection as well as generating absolute returns.

Our net management fee margin decreased slightly from 0.14% for the three months ended 31 March 2019 to 0.13% to the same period in 2020. The decrease was mainly due to the decrease in net management fees charged to our investors during the period.

Performance fee income

Our performance fee income primarily consists of income derived from performance fees (which is charged with reference to performance of the funds and managed accounts under management, and is typically calculated based on the absolute performance of the relevant fund – generally calculated on a high watermark basis by reference to the NAV of the relevant fund or managed account), net of rebates to investors. For further information, please see the section headed “Business – Investment management – Our investment management fees” in this prospectus.

For the years ended 31 December 2018 and 2019, our performance fee income amounted to approximately HK\$94.5 million and HK\$8,000, respectively, representing approximately 84.1% and 0.02% of our fund management business revenue, respectively, and a decrease of approximately HK\$94.5 million or 99.99%. This decrease was primarily due to low fund performance in 2019 as compared to 2018 which we attribute to the occurrence of reduced market volatility in 2019 as compared to market volatility spikes in 2018 (which is in accordance with our trading strategy which typically is more profitable during periods of increased market volatility). In particular, the True Partner Fund, our flagship fund, made an annual return of 25.82% in 2018, as compared to -7.50% in 2019, and the True Partner Volatility Fund made an annual return of 22.84% in 2018, as compared to -12.05% in 2019.

Our net performance fee margin decreased from 2.58% for the year ended 31 December 2018 to less than 0.1% for the year ended 31 December 2019, primarily attributable to lower performance fee income in 2019 as a result of weaker fund performance which we attribute to the occurrence of reduced market volatility in 2019 as compared to market volatility spikes in 2018 (which is in accordance with the funds/managed accounts’ trading strategy to make a profit particularly during periods of increased market volatility).

We did not generate revenue from performance fee income in Q1 2019 but with the positive performance of our funds and managed accounts under management in Q1 2020 (due to the ability of our trading strategy in realising opportunities arising from a more volatile equity market environment in Q1

FINANCIAL INFORMATION

2020 caused by the COVID-19 pandemic), we generated approximately HK\$34.5 million in performance fee income for the three months ended 31 March 2020. As such, our Group recorded a net performance fee margin of approximately 0.35% for the three months ended 31 March 2020. We incurred a lower net performance fee margin for the three months ended 31 March 2020 as compared to 2.58% for the year ended 31 December 2018 primarily because (i) the ratio had not been annualised and (ii) in accordance with applicable HKFRS, not included in the three months ended 31 March 2020 results were unrealised net performance fee for some of our funds and managed accounts which could only be realised pursuant to relevant investment mandates and booked over the period up to 31 December 2020, subject to performance fee increase/decrease as a result of the performance of relevant funds and managed accounts from 1 July 2020 to 31 December 2020.

Such performance fees resulted from highly volatile equity markets during the period caused largely by the COVID-19 pandemic. Our Directors believe that a significant part of such unrealised performance fees will be realised and reflected in our financial results in the year ending 31 December 2020 as (i) according to the Industry Expert, it is likely that equity volatility could continue to remain above long-term averages during the remainder of 2020 because of the economic uncertainty created by the COVID-19 global pandemic, the upcoming U.S. presidential elections and to a lesser extent other geopolitical issues. Further, current options pricing also tends to suggest that market participants in general expect a higher than average level of volatility over the next six months. For example, 6-month implied volatility is at 22.7% as of 8 August 2020, as compared to a 10-year average level of 16.8%; (ii) our track record of recording positive annualised returns for our funds since their inception dates which outperform major volatility indices and in particular, strong performance during periods of high volatility in equity markets; and (iii) in the unlikely event that equity markets stabilise for the remainder of 2020, our trading strategy would likely involve the identification of less opportunities arising from market dislocation of implied volatility levels and thus involve entering into of limited trade positions. This means that the amount of transaction costs that may be incurred would be limited, and would have limited impact on the NAV of our funds and/or managed accounts, and reduces our chances of not being able to achieve high watermarks in the relevant investment mandates on a calculation date.

As at 31 July 2020, our Group was entitled to net unrealised performance fees which could only be realised pursuant to relevant investment mandates and booked over the period up to 31 December 2020, subject to performance fee increase/decrease as a result of the performance of the respective funds and managed accounts from 1 August 2020 to 31 December 2020. The following table illustrates the effect of hypothetical fluctuation in net returns of our Groups' funds and managed accounts on the amount of net unrealised performance fees which may be charged by our Group under our investment mandates, assuming our Group's AUM remains stable for the remainder of 2020 and there is no redemption of any investment by an investor before the relevant valuation date:

Hypothetical fluctuation in net return (as a percentage) for all funds and managed accounts of our Group for the five months ended 31 December 2020

Change in net unrealised performance fee
HK\$ in million

–4%	–44
–2%	–23
+2%	+30
+4%	+61

FINANCIAL INFORMATION

Please see the section headed “Risk Factors – Our unrealised performance fees for the six months ended 30 June 2020 may not be fully reflected in our results for the year ended 31 December 2020” in this prospectus in relation to risks relating to recognition of our unrealised performance fees.

Revenue from consultancy services

Our revenue from consultancy services primarily consists of income derived from our consultancy services. Our largest customer of consultancy services over the Track Record Period was Capital Futures Corp.. Pursuant to an agreement dated 1 July 2015, we provided Capital Futures Corp. with consultancy services in relation to trading analysis, market research and derivatives related information technology. The consultancy services agreement with Capital Futures Corp. was terminated on 31 December 2018 upon completion of our services. In addition, our consultancy services during the Track Record Period included the provision of our personnel as expert witness for the SFC in cases of suspected market manipulation, as well as our personnel contributing to courses at the Chinese University of Hong Kong. For further information, please see the section headed “Business – Consultancy services” in this prospectus.

For the years ended 31 December 2018 and 2019, our revenue from consultancy services amounted to approximately HK\$45.9 million and HK\$0.9 million, respectively, representing approximately 29.0% and 2.0% of our revenue, respectively, and a decrease of approximately HK\$45.0 million or 98.1%. This decrease was primarily attributable to the termination of our consultancy services agreement with Capital Futures Corp. in December 2018.

We did not generate any consultancy services fee income for the three months ended 31 March 2020.

Other income

Our other income primarily consist of exchange gain, sundry income and interest income.

The following table sets out a breakdown of our other income for the Track Record Period:

	Year ended		Three months ended	
	31 December		31 March	
	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Interest income ¹	9	18	6	–
Sundry income ²	11	26	79	55
Exchange gain, net ³	–	245	–	–
Total	20	289	85	55

Notes:

1. Our interest income primarily consists of interest from bank deposits.

FINANCIAL INFORMATION

2. Our sundry income primarily consists of other miscellaneous income such as credit card cash rebate.
3. Our exchange gain, net primarily represented our net exchange gain arising from settlement of EUR-denominated accounts receivable.

For the years ended 31 December 2018 and 2019, our other income amounted to approximately HK\$20,000 and HK\$289,000, respectively, representing approximately 0.01% and 0.6% of our revenue, respectively, and an increase of approximately HK\$0.3 million or 1,345.0%. This increase was primarily attributable to an exchange gain of approximately HK\$0.2 million was recorded during 2018 as a result of exchange gain from the settlement of EUR – denominated accounts receivable during the year.

Our other income decreased from approximately HK\$85,000 for the three months ended 31 March 2019 to approximately HK\$55,000 for the three months ended 31 March 2020, as no exchange gain was recorded during the latter period.

Fair value gain/(loss) on financial assets at fair value through profit or loss

Our fair value gain on financial assets at fair value through profit or loss represents gains or loss from our investments in True Partner Fund by our subsidiary True Partner Advisor Limited. As at 31 December 2018 and 2019 and 31 March 2020, we had financial assets at fair value through profit or loss of HK\$8.0 million, HK\$18.4 million and HK\$20.8 million, respectively, which were classified as level 2 financial assets in terms of inputs to valuation techniques used to measure fair value.

For the years ended 31 December 2018 and 2019, our fair value gain/loss on financial assets at fair value through profit or loss amounted to approximately HK\$0.3 million (gain) and HK\$1.2 million (loss), respectively, representing approximately 0.17% and 2.75% of our revenue, respectively, and a decrease of approximately HK\$1.5 million or 544.4%. This decrease was primarily due to the reduced NAV of True Partner Fund in 2019 compared to 2018 as a result of weaker fund performance which we attribute to the occurrence of reduced market volatility in 2019 as compared to market volatility spikes in 2018 (which is in accordance with our fund's trading strategy to make a profit particularly during periods of increased market volatility).

A fair value loss of approximately HK\$0.2 million on financial assets at fair value through profit or loss was recorded for the three months ended 31 March 2019, whereas a fair value gain of approximately HK\$2.4 million was recorded for the three months ended 31 March 2020. The change was mainly due to an increase in NAV of the True Partner Fund for Q1 2020 as a result of strong fund performance.

Direct costs

Our direct costs represent fees paid to our capital introduction partners. We generally pay capital introduction partners a percentage of the management/performance fees we receive in respect of investments made by investors introduced by the respective capital introduction partner. For further information, please see the section headed “Business – Sales and marketing – Engagement of capital introduction partners” in this prospectus.

For the years ended 31 December 2018 and 2019, our direct costs amounted to approximately HK\$11.7 million and HK\$6.9 million, respectively, representing approximately 7.4% and 15.5% of our revenue, respectively, and a decrease of approximately HK\$4.9 million or 41.3%. This decrease was

FINANCIAL INFORMATION

primarily attributable to the decrease in performance fees received from investors referred by the respective capital introduction partners, partially offset by an increase in management fees received from investors referred by the respective capital introduction partners.

Our direct costs increased from approximately HK\$1.4 million for the three months ended 31 March 2019 to approximately HK\$2.8 million for the three months ended 31 March 2020. Such increase was mainly due to the increase in performance fees received from investors referred by relevant capital introduction partners.

Operating expenses

The following table sets out a breakdown of our operating expenses for the Track Record Period:

	Year ended 31 December		2019		Three month ended 31 March		2020	
	2018	% of	2019	% of	2019	% of	2020	% of
	HK\$'000	operating	HK\$'000	operating	HK\$'000	operating	HK\$'000	operating
		expenses		expenses		expenses		expenses
Staff benefits (including directors' remuneration)	33,394	68.3	29,857	60.1	5,866	54.8	18,084	80.4
Sales and marketing expenses	3,961	8.1	5,364	10.8	1,594	14.9	927	4.1
Legal and professional fees	1,118	2.3	2,696	5.4	324	3.0	708	3.1
Rental of short-term leases	2,994	6.1	1,539	3.1	733	6.8	145	0.6
Consulting fees	1,619	3.3	1,506	3.0	628	5.9	207	0.9
IT related expenses	1,417	2.9	1,447	2.9	393	3.7	397	1.8
Data communication fees	991	2.0	1,287	2.6	265	2.5	359	1.6
Depreciation of right-of-use assets	–	–	1,190	2.4	–	–	394	1.8
Exchange loss, net	204	0.4	–	–	–	–	–	–
Auditor's remuneration	515	1.1	514	1.0	125	1.2	129	0.6
Depreciation of plant and equipment	495	1.0	755	1.5	128	1.2	224	1.0
Others	2,179	4.5	3,561	7.2	655	6.1	926	4.1
Total	48,887	100.0	49,716	100.0	10,711	100.0	22,500	100.0

For the years ended 31 December 2018 and 2019, our operating expenses amounted to approximately HK\$48.9 million and HK\$49.7 million, respectively, representing approximately 30.9% and 111.8% of our revenue, respectively, and a slight increase of approximately HK\$0.8 million or 2%.

For the three months ended 31 March 2019 and 2020, our operating expenses amounted to approximately HK\$10.7 million and HK\$22.5 million, respectively, representing approximately 122.5% and 45.4% of our revenue, respectively, and an increase of approximately HK\$11.8 million or 110.1%.

FINANCIAL INFORMATION

Staff benefits

	Year ended 31 December				Three months ended 31 March			
	2018		2019		2019		2020	
	HK\$'000	% of staff benefits	HK\$'000	% of staff benefits	HK\$'000	% of staff benefits	HK\$'000	% of staff benefits
Directors' remuneration								
– Salary and allowances	8,821	26.4	11,133	37.3	2,637	45.0	3,254	18.0
– Discretionary bonus	10,765	32.2	1,750	5.9	250	4.2	–	–
– Pension scheme contributions	153	0.5	205	0.7	136	2.3	84	0.5
	<u>19,739</u>	<u>59.1</u>	<u>13,088</u>	<u>43.9</u>	<u>3,023</u>	<u>51.5</u>	<u>3,338</u>	<u>18.5</u>
Other staff:								
– Salary and allowances	8,977	26.9	11,879	39.8	2,616	44.6	4,165	23.0
– Discretionary bonus	4,373	13.1	4,219	14.1	–	–	–	–
– Pension scheme contributions	305	0.9	671	2.2	227	3.9	239	1.3
	<u>13,655</u>	<u>40.9</u>	<u>16,769</u>	<u>56.1</u>	<u>2,843</u>	<u>48.5</u>	<u>4,404</u>	<u>24.3</u>
Accrued performance bonus	–	–	–	–	–	–	10,342	57.2
Total	<u>33,394</u>	<u>100</u>	<u>29,857</u>	<u>100</u>	<u>5,866</u>	<u>100</u>	<u>18,084</u>	<u>100</u>

Our staff benefits primarily consist of salaries, discretionary bonuses, directors' remuneration and other benefits paid and payable to our Directors and employees as well as contributions to defined contribution retirement plans, including contributions payable under the Hong Kong's Mandatory Provident Fund Schemes Ordinance (Cap 485 of the laws of Hong Kong).

For the years ended 31 December 2018 and 2019, our staff benefits amounted to approximately HK\$33.4 million and HK\$29.9 million, respectively, representing approximately 21.0% and 67.1% of our revenue, respectively, and a decrease of approximately HK\$3.5 million or 10.6%. This decrease was primarily attributable to a decrease in directors' remuneration of approximately HK\$6.7 million as a result of a decrease in directors' discretionary bonus from approximately HK\$10.8 million for the year ended 31 December 2018 to approximately HK\$1.8 million for the year ended 31 December 2019, representing a decrease of approximately HK\$9.0 million or 83.7%. The decrease in directors' discretionary bonus was mainly as a result of the decrease in our performance fee income and was partially offset by an increase in other staff salary and allowance of approximately HK\$2.9 million due to an increase in manpower and salary adjustment.

For the three months ended 31 March 2019 and 2020, our staff benefits amounted to HK\$5.9 million and HK\$18.1 million, respectively. Such increase was mainly due to (i) the accrued performance bonus of approximately HK\$10.3 million for the three months ended 31 March 2020 as a result of the strong performance of our funds and managed accounts; and (ii) the increase in other staff salary and allowance of approximately HK\$1.5 million as a result of the increase in manpower and salary adjustment.

FINANCIAL INFORMATION

Sales and marketing expenses

Sales and marketing expenses primarily consist of expenses in relation to our sales and marketing activities to attract new investors and maintain relationships with existing investors, including costs incurred for attending conferences, travelling expenses, expenses in relation to meeting potential and existing investors and corporate sponsorship to increase the presence of our brand.

For the years ended 31 December 2018 and 2019, sales and marketing expenses amounted to approximately HK\$3.9 million and HK\$5.4 million, respectively, representing approximately 2.5% and 12.1% of our revenue, respectively, and an increase of approximately HK\$1.5 million or 38.5%. This increase was primarily attributable to our increased efforts to attract new investors and enhance our relations with existing investors, including attending conferences and meetings with investors.

For the three months ended 31 March 2019 and 2020, our sales and marketing expenses decreased from approximately HK\$1.6 million to approximately HK\$0.9 million. Such decrease was mainly due to the outbreak of COVID-19 which restricted overseas travel of relevant staff. While certain marketing and investor relations activities involving physical meetings or conferences have been curtailed, or reduced to video conferences or virtual meetings, investor relationship work has remained effective and the alternative arrangements have had limited effect on our profitability to date. As present, we are using established platforms to hold webinars and are working on tech solutions (such as live conferencing tools and chat boxes) for the purpose of communicating with existing and prospective investors.

Cost of leasing for our operations

The following table sets out a breakdown of our cost of leasing for the Track Record Period. Our cost of leasing represents the rental-related costs incurred in respect of our leased properties for our office premises in Hong Kong, Chicago and Amsterdam:

	Year ended 31 December 2018		Year ended 31 December 2019		Three months ended 31 March			
	<i>% of</i>		<i>% of</i>		<i>% of</i>		<i>% of</i>	
	<i>cost of</i>		<i>cost of</i>		<i>cost of</i>		<i>cost of</i>	
	<i>HK\$'000</i>	<i>leasing</i>	<i>HK\$'000</i>	<i>leasing</i>	<i>HK\$'000</i>	<i>leasing</i>	<i>HK\$'000</i>	<i>leasing</i>
Rental of short-term leases	2,994	100.0	1,539	53.8	733	100.0	145	25.2
Depreciation of right-of-use assets	–	–	1,190	41.6	–	–	394	68.5
Interest on lease liabilities	–	–	131	4.6	–	–	36	6.3
Total	<u>2,994</u>	<u>100.0</u>	<u>2,860</u>	<u>100.0</u>	<u>733</u>	<u>100.0</u>	<u>575</u>	<u>100.0</u>

Cost of leasing primarily consists of (i) rental of short-term leases with terms of less than 12 months; (ii) depreciation of right-of-use assets; and (iii) interest on lease liabilities in connection with HKFRS 16 for the leases.

FINANCIAL INFORMATION

For the years ended 31 December 2018 and 2019, our cost of leasing remained stable at approximately HK\$3.0 million and HK\$2.9 million, respectively. However, rental of short-term leases decreased by approximately HK\$1.5 million, which was mainly due to the change in accounting treatment pursuant to HKFRS 16 in respect of our relocated Hong Kong office in 2019 with a lease term of three years. Accordingly, depreciation of right-of-use assets and interest on lease liabilities was recorded in the year ended 31 December 2019. For details of the accounting policy on HKFRS 16, please refer to note 2.3 (q) of Accountants' report.

Our cost of leasing decrease from approximately HK\$0.7 million for the three months ended 31 March 2019 to approximately HK\$0.6 million for the three months ended 31 March 2020, mainly due to the change in accounting standard as described above.

Legal and professional fees

Legal and professional fees primarily consist of fees paid to our legal and other professional advisers in respect of our operations and ongoing compliance, excluding any fees in relation to the Listing.

For the years ended 31 December 2018 and 2019, legal and professional fees amounted to approximately HK\$1.1 million and HK\$2.7 million, respectively, representing approximately 2.3% and 5.4% of our operating expenses, respectively, and an increase of approximately HK\$1.6 million or 141%. This increase was primarily attributable to (i) the additional expenses paid to legal advisers in respect to the restructuring of the True Partner Fund into a master-feeder structure in 2019; and (ii) legal fees for due diligence in respect of our investment in Holland & Muh (as described in the section headed "Business – Our investments" in this prospectus).

Our legal and professional expenses increased from approximately HK\$0.3 million for the three months ended 31 March 2019 to approximately HK\$0.7 million for the three months ended 31 March 2020. Such increase was mainly due to the increase in legal and tax advisory services as a result of our expanded operations.

Consulting fees

Consulting fees primarily consist of (i) fees paid to Ms. Kung in relation to consultancy services provided pursuant to a consultancy agreement for work performed including, without limitation, market research and business development; and (ii) consultancy services paid to Mr. Edo Bordoni, who is one of our minority Shareholders, for professional consulting services in the area of Swiss capital markets as well as promotion and sales support.

Ms. Kung was our fourth largest supplier in 2018 and a connected person of our Group. For further details, including services supplied by Ms. Kung, please refer to the section headed "Business – Our services providers" in this prospectus.

For the years ended 31 December 2018 and 2019, consulting fees remained stable at approximately HK\$1.6 million and HK\$1.5 million, respectively, representing approximately 1% and 3% of our revenue. The consultancy agreements with Ms. Kung and Mr. Edo Bordoni were terminated in January 2020 and November 2019, respectively.

FINANCIAL INFORMATION

Our consulting fees decreased from approximately HK\$0.6 million for the three months ended 31 March 2019 to approximately HK\$0.2 million for the three months ended 31 March 2020, mainly due to the termination of services with Ms. Kung and Mr. Edo Bordorni.

IT-related expenses

IT-related expenses primarily consist of office expenses in relation to IT, such as license fees for software used in our operations, domain name expenses, and services fees paid to a service provider for remote support and consultancy services, a hosted monitoring platform and managed internet services (including internet connection and firewall services).

For the years ended 31 December 2018 and 2019, IT office supplies expenses remained stable at approximately HK\$1.4 million each year, representing approximately 1% and 3% of our revenue, respectively.

For the three months ended 31 March 2019 and 2020 respectively, our IT-related expenses remained stable at approximately HK\$0.4 million.

Data communication fees

Data communication fees primarily consist of fees in relation to our data centres, direct access data lines and accessing market data for our trading activities.

For the years ended 31 December 2018 and 2019, data communication fees amounted to approximately HK\$1.0 million and HK\$1.3 million, respectively, representing approximately 1% and 3% of our revenue, respectively, and an increase of approximately HK\$0.3 million or 30%. This increase was primarily attributable to the upgrade of our data centres in 2019, and our engagement of an additional market data service provider at the end of 2018.

For the three months ended 31 March 2019 and 2020, our data communication fee remained stable at approximately HK\$0.3 million.

Depreciation of plant and equipment

Depreciation of plant and equipment primarily consist of leasehold improvement, computer equipment, furniture and fixtures, and other office equipment.

For the years ended 31 December 2018 and 2019, depreciation of plant and equipment amounted to approximately HK\$0.5 million and HK\$0.8 million, respectively, representing approximately 0.3% and 1.7% of our revenue, respectively, and an increase of approximately HK\$0.3 million or 53%. This increase was primarily attributable to an increase in leasehold improvements as a result of the relocation of our Hong Kong office in 2019.

Our depreciation of plant and equipment increased from approximately HK\$0.1 million for the three months ended 31 March 2019 to approximately HK\$0.2 million for the three months ended 31 March 2020 mainly due to depreciation for the newly purchased computer equipment during the latter period.

FINANCIAL INFORMATION

Auditor's remuneration

Auditor's remuneration primarily consists of professional fees paid to our external auditors, excluding in relation to the Listing. For the years ended 31 December 2018 and 2019, auditor's remuneration remained stable at approximately HK\$0.5 million, representing approximately 0.3% and 1.2% of our revenue, respectively. For the three months ended 31 March 2019 and 2020, auditor's remuneration remained stable at HK\$0.1 million, respectively.

Other operating expenses

Other operating expenses primarily consist of office miscellaneous expenses such as telephone and fax, insurance and sundry expenses.

For the years ended 31 December 2018 and 2019, our other operating expenses amounted to approximately HK\$2.2 million and HK\$3.6 million, respectively, representing approximately 1.4% and 8.0% of our revenue, respectively, and an increase of approximately HK\$1.4 million or 63%. This increase was primarily attributable to increased costs associated with the expansion of our business.

Our other operating expenses increased from approximately HK\$0.7 million to approximately HK\$0.9 million for the three months ended 31 March 2019 and 2020. Such increase was mainly due to the increased costs associated with the expansion of our business.

Finance costs

Our finance costs primarily consist of (i) interest paid to brokers in respect of our margin trading of equity; and (ii) interest on lease liabilities.

For the years ended 31 December 2018 and 2019, our finance costs amounted to approximately HK\$3,000 and HK\$135,000, respectively, representing an increase of approximately HK\$132,000 or 4,400%. Such increase was primarily attributable to the increase in interest on lease liabilities as a result of a new lease for our relocated Hong Kong office in 2019.

For the three months ended 31 March 2019 and 2020, our finance cost increased from HK\$1,000 to HK\$37,000, mainly due to the increase in interest on lease liabilities as discussed above.

Income tax expense

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 and operate.

FINANCIAL INFORMATION

The following table sets out a breakdown of our income tax expense for the years indicated:

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			<i>(Unaudited)</i>	
Current tax – Hong Kong				
Provision for the year	11,837	250	54	3,553
Over-provision in prior year	(30)	–	–	–
	<u>11,807</u>	<u>250</u>	<u>54</u>	<u>3,553</u>
Current tax – United States				
Provision for the year	996	(17)	–	1,731
Under-provision in prior year	–	149	–	–
	<u>996</u>	<u>132</u>	<u>–</u>	<u>1,731</u>
Total income tax expense	<u>12,803</u>	<u>382</u>	<u>54</u>	<u>5,284</u>

Our Group is subject to income tax on an entity basis on profit arising in or derived from tax jurisdictions in which our entities are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, we were not subject to any income tax in the Cayman Islands.

In respect of our Group entities that are domiciled and operate in Hong Kong, we are liable to pay Hong Kong profits tax on their estimated assessable profits arising in Hong Kong during the Track Record Period. During the Track Record Period, our Hong Kong operating subsidiaries, True Partner Holding Limited, True Partner Advisor Hong Kong Limited, T8 Software Consulting Limited and True Partner Consulting Limited were liable to pay Hong Kong profit tax at a rate of 16.5%. T8 Software Consulting Limited (in the year ended 31 December 2018) and True Partner Advisor Hong Kong Limited (in the year ended 31 December 2019) elected to be taxed under the two-tiered profit tax rate regime, whereby profits tax is chargeable on the first HK\$2.0 million of assessable profits at 8.25% and assessable profits above such threshold at a rate of 16.5%.

In respect of our Group entities that are domiciled and operate in the United States, we are subject to corporate income tax in the United States at the rate of 21% on taxable income. There were no tax obligations arising from other jurisdictions during the Track Record Period.

For the years ended 31 December 2018 and 2019, our income tax expenses amounted to approximately HK\$12.8 million and HK\$0.4 million, respectively, and our effective income tax rate was approximately 13.1% and -1.8%, respectively. The decrease in our effective tax rate was primarily attributable to the operating loss in 2019.

For the three months ended 31 March 2019 and 2020, our income tax expenses amounted to approximately HK\$54,000 and approximately HK\$5.3 million, respectively and our effective income tax rates were approximately -1.5% and 32.8%, respectively. The increase in effective tax rate was mainly due to an increase in operating profit as a result of strong performance of our funds and managed accounts, partially offset by the incurrence of Listing expenses which are non-deductible in nature.

FINANCIAL INFORMATION

During the Track Record Period, non-taxable income and non-deductible expenses represent items of income and expenses that were not taxable/deductible for tax purpose under the tax laws of Hong Kong and the Cayman Islands.

Non-taxable income items comprised of (i) bank interest income derived from deposits placed with authorised financial institutions in Hong Kong, (ii) exchange gain derived from non-trading transactions which is capital in nature; and (iii) income earned by True Partner Advisor Limited, a Group company incorporated in the Cayman Islands (which is exempted from tax in the Cayman Islands and therefore all income earned by this entity is non-taxable).

Non-deductible expenses mainly comprised of (i) legal and professional fees incurred for due diligence purposes, in respect of our capital investment in Holland & Muh; (ii) Listing expenses incurred (as such expenses were not incurred for the production of assessable profits and therefore are not deductible for tax purposes); (iii) exchange loss derived from non-trading transactions which is capital in nature; and (iv) expenses incurred by True Partner Advisor Limited which are exempted from tax in the Cayman Islands and therefore all expenses incurred by this entity are non-deductible.

Our tax advisor and Reporting Accountants have performed a review on our Group's treatment of the tax effect of incomes that is not taxable and the tax effect of expenses that are not deductible, and are of the view that such treatments comply with all applicable laws and regulations in Hong Kong, the U.S. and the Cayman Islands.

Transfer pricing arrangements

During the Track Record Period, our Group entered into three cross-border intercompany transactions ("**Intercompany Transactions**") which include the following:

- (i) True Partner Advisor Hong Kong Limited provided investment management services (such as execution of securities trading and relevant operational activities) to True Partner Advisor Limited;
- (ii) T8 Software Consulting Limited provided investment technology, market research, investment advisory and management services to True Partner Advisor Limited; and
- (iii) True Partner Advisor Hong Kong Limited sub-contracted part of its investment management services to our Group's company incorporated in the U.S., namely True Partner Capital USA Holding, Inc..

Please see the sections headed "Regulatory and licensing requirements – Transfer Pricing" in this prospectus for further details on transfer pricing-related laws and regulations in Hong Kong and the U.S., respectively.

Our Group has engaged a transfer pricing consultant ("**Transfer Pricing Consultant**"), namely PKF Tax and Business Consultants Limited, to evaluate its transfer pricing policies with respect to the Intercompany Transactions for the Track Record Period. PKF Tax and Business Consultants Limited is a member firm of the PKF International Limited network. PKF Tax and Business Consultants Limited is a company providing, among others, transfer pricing consulting services, and has been previously engaged in transfer pricing consulting projects for a number of companies listed in Hong Kong and China. The

FINANCIAL INFORMATION

Transfer Pricing Consultant conducted a transfer pricing study and benchmarking analyses in accordance with, among others, the Organisation for Economic Cooperation and Development Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations (“**OECD Transfer Pricing Guidelines**”) and relevant tax transfer pricing regulations in Hong Kong and the U.S. (as applicable) to review the transfer pricing implications for each Intercompany Transaction.

In respect of the Intercompany Transaction between True Partner Advisor Hong Kong Limited and True Partner Advisor Limited, after reviewing the advice from the Transfer Pricing Consultant, the Directors are of the view that the Transactional Net Margin Method (“**TNMM**”) and the Total Cost-Plus Margin (“**TCPM**”) were the most appropriate transfer pricing method and profit level indicator (“**PLI**”), respectively. Based on the benchmarking analysis performed, several listed companies engaged in similar financial brokerage, advisory or management functions were selected as comparable companies, and the PLIs of True Partner Advisor Hong Kong Limited for the Track Record Period were found to be within the interquartile of the PLIs of the comparable companies. From a transfer pricing perspective, the Directors view that the services provided by True Partner Advisor Hong Kong Limited to True Partner Advisor Limited were remunerated on an arm’s length basis.

As regards the Intercompany Transaction between T8 Software Consulting Limited and True Partner Advisor Limited, based on the advice from the Transfer Pricing Consultant, our Directors view that the Profit Split Method (“**PSM**”) was the most appropriate transfer pricing method and the employees’ contributions was the major profit splitting factor, on the basis that the activities conducted by the aforesaid parties were highly integrated. After True Partner Advisor Limited had remunerated True Partner Advisor Hong Kong Limited on an arm’s length basis, the residual profits of True Partner Advisor Limited were apportioned to T8 Software Consulting Limited based on the value of the functions performed and risks borne by each of them, to approximate the division of profits that independent enterprises would have expected to realise from engaging in similar transactions. As the split ratios between the aforesaid parties for the Track Record Period were found to be in line with the appropriate profit split ratio resulted from the transfer pricing analyses performed by the Transfer Pricing Consultant, our Directors view that the services provided by T8 Software Consulting Limited to True Partner Advisor Limited were remunerated on an arm’s length basis.

Further, for the Intercompany Transaction between True Partner Advisor Hong Kong Limited and True Partner Capital USA Holding, Inc., based on the advice from the Transfer Pricing Consultant, the Directors view that the TNMM and the Markup on Total Cost (“**MOTC**”) were the most appropriate transfer pricing method and PLI respectively. Based on the benchmarking analysis performed, several listed companies engaged in similar financial advisory, consulting and management functions were selected as comparable companies, and the PLIs of True Partner Capital USA Holding, Inc. for the Track Record Period were found to be within the interquartile of the PLIs of comparable companies. From a transfer pricing perspective, it was concluded that the services provided by True Partner Capital USA Holding, Inc. to True Partner Advisor Limited were remunerated on an arm’s length basis.

In light of the foregoing, as advised by our Group’s Transfer Pricing Consultant, the Directors view that the profits of True Partner Advisor Limited were reasonably and adequately apportioned to relevant related parties in Hong Kong and the U.S., which had been subject to income tax in the respective jurisdictions. Based on the advice from the Transfer Pricing Consultant, the Directors are of the view that

FINANCIAL INFORMATION

the Intercompany Transactions fall within the arm's length ranges and the relevant operating subsidiaries were also adequately compensated for their functions undertaken and risks assumed under the Intercompany Transactions according to the relevant transfer pricing laws and regulations.

Up to the Latest Practicable Date, our Directors were not aware of any inquiry, audit or investigation by the tax authorities in Hong Kong or the United States with respect to the Intercompany Transactions. Please refer to the section headed "Risk factors – Risks relating to our business and industry – Our operations may be subject to transfer pricing adjustment" in this prospectus for our risks in relation to transfer pricing adjustment.

In addition, we have adopted the following measures to ensure ongoing compliance with the relevant transfer pricing laws and regulations in Hong Kong and the U.S.:

- our transactional transfer pricing arrangements are applied and monitored to ensure compliance with the arm's length principle with reference to the appropriate transfer pricing data and the operations of each of the relevant operating subsidiaries to maintain a reasonable profit margin of each of the relevant operating subsidiaries as well as a reasonable apportionment of profits amongst such subsidiaries;
- intercompany balances and transactions are reconciled with our Group from time to time and at report periods to ensure that no significant difference exists; and
- our Directors, together with the Transfer Pricing Consultant will monitor the amount of related party transactions to determine whether contemporaneous documents are required to be prepared.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute or unresolved tax issues with the relevant tax authorities.

Profit for the year and profit margin

The following table sets out the key measurements of our profitability for the Track Record Period:

	Year ended 31 December		Three months ended	
	2018	2019	31 March 2019	2020
Net profit/(loss) (HK\$'000)	85,026	(21,077)	(3,566)	10,832
Profit/(loss) margin (%)	53.8	(47.4)	(40.8)	21.8

For the year ended 31 December 2018, we incurred a net profit after tax of approximately HK\$85.1 million, and for the year ended 31 December 2019, we incurred a net loss after tax of approximately HK\$21.1 million, representing a decrease of approximately HK\$106.2 million or 124.8%. This decrease was primarily attributable to the decrease in our revenue of approximately HK\$113.7 million between the periods, primarily due to (i) a decrease in performance fee income of approximately HK\$94.5 million, as a result of low fund performance in 2019 as compared to 2018 which we attribute to the occurrence of reduced market volatility in 2019 as compared to market volatility spikes in 2018 (which is in accordance with our trading strategy which typically is more profitable during periods of increased market

FINANCIAL INFORMATION

volatility); (ii) the termination of our consultancy services agreement with our largest customer of consultancy services in December 2018; and (iii) the incurrence of Listing expenses of approximately HK\$7.5 million in 2019, partially offset by an increase in management fee income in 2019 as a result of the increased AUM over the Track Record Period.

As a result, we incurred a net profit margin of approximately 53.8% for the year ended 31 December 2018 and a net loss margin of approximately 47.4% for the year ended 31 December 2019. Had the Listing expenses been excluded, our net loss margin for the year ended 31 December 2019 would be approximately 30.5%.

For the three months ended 31 March 2019, we incurred a net loss after tax of approximately HK\$3.6 million, and for the three months ended 31 March 2020, we incurred a net profit after tax of approximately HK\$10.8 million. The charge was primarily attributable to an increase in our revenue in the amount of approximately HK\$40.9 million between the periods, primarily due to (i) an increase in performance fee income of approximately HK\$34.5 million, as a result of strong fund performance in Q1 2020 as compared to Q1 2019 which we attribute to the positive performance of our funds and managed accounts under management during a more volatile equity market environment in Q1 2020 caused by the COVID-19 pandemic, and (ii) an increase in management fee income in Q1 2020 as a result of the increased AUM between the periods, partially offset by the incurrence of Listing expenses of approximately HK\$10.6 million in Q1 2020.

We incurred a net loss margin of approximately 40.8% for the three months ended 31 March 2019 and a net profit margin of approximately 21.8% for the three months ended 31 March 2020.

NON-HKFRS measures

The following table sets forth a reconciliation between our profit/(loss) presented in accordance with HKFRS during the Track Record Period and our non-HKFRS adjusted profit/(loss) and non-HKFRS adjusted profit/(loss) margin during the Track Record Period.

	Year ended 31 December		Three months ended	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Profit/(loss) for the year/period	85,026	(21,077)	(3,566)	10,832
Adjusted for:				
Listing expenses	—	7,495	—	10,598
Non-HKFRS adjusted profit/(loss) for the year/period	85,026	(13,582)	(3,566)	21,430
Non-HKFRS adjusted net profit/(loss) margin (%)	53.8	(30.5)	(40.8)	43.2

FINANCIAL INFORMATION

Our net loss margin for the year ended 31 December 2019 would be approximately 30.5% had the Listing expenses been excluded, representing a decrease of approximately HK\$98.6 million or 116.0% as compared to the year ended 31 December 2018. This decrease was primarily attributable to the decrease in performance fee income and the decrease in revenue from consultancy services for the year ended 31 December 2019 as discussed above.

Had the Listing expenses of approximately HK\$10.6 million been excluded, our net profit margin for the three months ended 31 March 2020 would be approximately 43.2%, representing an increase of approximately HK\$25.0 million or 701.0% as compared to the three months ended 31 March 2019. This increase was primarily attributable to the increase in our performance fee income and management fee income for the three months ended 31 March 2020 as discussed above.

The above non-HKFRS information are included to illustrate to prospective investors the effect of excluding Listing expenses (in the amounts of approximately HK\$7.5 million and HK\$10.6 million for the year ended 31 December 2019 and the three months ended 31 March 2020, respectively) on our net profit/(loss) during the Track Record Period, as such expenses, recognised under the HKFRS, are non-recurring in nature and are not related to the ordinary and usual course of our business. Such non-HKFRS information are intended to assist prospective investors' assessment of the operating performance and results of operations of our Group over the Track Record Period, but they do not have standardised meaning prescribed by the HKFRS, and therefore may not be comparable to similar measures presented by other issuers. The use of such measures has limitations as an analytical tool as they do not include all items that have an impact on our profit during the Track Record Period; as such, you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under the HKFRS.

Other comprehensive loss

Fair value loss on financial assets designated at fair value through other comprehensive income

Our fair value loss on financial assets designated at fair value through other comprehensive income represents losses from our investment in CSC Futures. Such fair value loss resulted from a decrease in fair value of our investment in CSC Futures based on business valuation conducted by a third-party appraisal firm (which adopted a market-based approach to determine the fair value of CSC Futures in accordance with HKFRS 13 Fair Value Measurement, using benchmark companies with similar business nature and operations to those of CSC Futures (i.e. principally engaged in the provision of securities and futures services)). Please refer to note 31(c) of the Accountants' Report in Appendix IA to this prospectus for details of the fair value measurement. Our fair value loss mainly resulted from decrease in the NAV of CSC Futures due to its financial performance as well as decrease in the value of the benchmark companies used in the valuation.

Our fair value loss on financial assets decreased from approximately HK\$5.1 million for the year ended 31 December 2018 to approximately HK\$1.1 million for the year ended 31 December 2019, and increased from approximately HK\$0.3 million for the three months ended 31 March 2019 to approximately HK\$1.2 million for the three months ended 31 March 2020, respectively, representing a decrease of approximately HK\$4.0 million or 78.4% and an increase of HK\$0.9 million or 291.1%, respectively.

FINANCIAL INFORMATION

FINANCIAL PERFORMANCE BEFORE AND DURING THE TRACK RECORD PERIOD

Our Group was incorporated in April 2010 and had a loss-making period at its start-up stage during which it was in the process of building up its fund management business as well as consultancy services (which were terminated in 2019). Our Group recorded an accumulated loss of HK\$19.8 million as at 1 January 2018 (i.e. the beginning of Track Record Period).

As disclosed in the other sections of this prospectus, our Group derives its revenue from charging management fees and performance fees, of which: (i) the amount of management fee our Group is entitled to charge, to a large extent, depends on the amount of AUM (i.e. typically charged as a percentage of clients' investment amounts); and (ii) the amount of performance fee our Group is entitled to charge depends on the performance of funds and managed accounts.

Set forth below are the changes of revenue, net result and cash flow of our Group before and during the Track Record Period:

	For the year ended 31 December				
	2015	2016	2017	2018	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Management fee	8,619	11,316	14,001	17,834	43,576
Performance fee	<u>10,827</u>	<u>10,240</u>	<u>2,939</u>	<u>94,484</u>	<u>8</u>
Sub-total	19,446	21,556	16,940	112,318	43,584
Consultancy services income	<u>15,580</u>	<u>13,352</u>	<u>6,899</u>	<u>45,853</u>	<u>894</u>
Total income	<u><u>35,026</u></u>	<u><u>34,908</u></u>	<u><u>23,839</u></u>	<u><u>158,171</u></u>	<u><u>44,478</u></u>
Net profit/(loss) after tax	13,687	2,254	(8,833)	85,026	(21,077)
Net increase/(decrease) in cash and cash equivalents	6,737	2,758	(11,389)	44,447	13,819

Financial performance before Track Record Period

For the years ended 31 December 2015, 2016 and 2017, our Group recorded net profit of approximately HK\$13.7 million and HK\$2.3 million and net loss of HK\$8.8 million, respectively. Despite the significant fluctuation in our financials over the years, management fee income from our fund management business grew gradually over the three years prior to Track Record Period, which was generally in line with the growth in our AUM. Our management fee income increased from approximately HK\$8.6 million for the year ended 31 December 2015 to approximately HK\$11.3 million for the year ended 31 December 2016 and further increased to approximately HK\$14.0 million for the year ended 31 December 2017. The CAGR from 2015 to 2017 was 50.0%.

In 2017, our Group incurred a loss of approximately HK\$8.8 million due to limited performance fee income of approximately HK\$2.9 million and consultancy fee income of approximately HK\$6.9 million, and our management fee income was insufficient to cover our Group's operating expenses. Where the

FINANCIAL INFORMATION

amount of management fees charged in a financial period is insufficient to cover operating costs and/or we are only able to generate limited or no performance fees during the relevant periods due to low volatility in equity markets, our Group incurred a loss.

In 2018, our Group generated profits for the year as we were able to generate more revenue from our fund business because (i) the amount of management fees received had increased over the past three years as a result of the continued increase in the AUM of our Group; and (ii) our Group recorded approximately HK\$94.5 million in performance fee income in the financial year ended 31 December 2018 as a result of the strong performance of our funds and managed accounts.

Starting in July 2015, our Group provided consultancy services to Capital Futures Corp. to complement our fund management business. For the years ended 31 December 2015, 2016 and 2017, our Group recorded consultancy fee income of approximately HK\$15.6 million, HK\$13.4 million and HK\$6.9 million, respectively. The fluctuation in consultancy services income was mainly attributable to the time spent on relevant consultancy services by our management given the services fee was charged on an hourly basis. The decrease in consultancy services income from 2018 to 2019 was mainly due to the termination of our agreement with the Capital Group on 31 December 2018. For further details on the consultancy services, please refer to “Relationship with the Capital Group” and “Business – Consultancy services” in the prospectus.

Cash flow before Track Record Period

For the year ended 31 December 2015, our Group recorded net increase in cash and cash equivalent of approximately HK\$6.7 million. Such increase in cash inflow was mainly due to approximately HK\$3.4 million cash generated from operating activities and net cash generated from investing activities due mainly to the disposals of 51% equity interest in Capital True Partner Technology Limited and 49% equity interest in True Partner Advisor Hong Kong Limited, which was partially offset by cash outflow from investment into CSC Futures during the year.

For the year ended 31 December 2016, the net cash inflow amounted to HK\$2.8 million which was mainly generated from the operating activities.

For the year ended 31 December 2017, the net cash outflow of approximately HK\$11.4 million was mainly due to the net loss as a result of limited performance fee income and consultancy services income such that the management fee income was not sufficient to cover the operating expenses in that year.

Our Directors confirm that the historical financial information before the Track Record Period as disclosed in this subsection are based on financial statements prepared in accordance with the accounting policies which conform with the HKFRS and the historical financial information were audited by qualifying accountants.

BREAKEVEN ANALYSIS

During the Track Record Period, we experienced significant changes in revenue, in particular due to significant changes in the performance fee income from the funds and managed accounts that we provide investment management services to. As such, our net profit margin and our profitability will be materially and adversely affected by the investment performance of the funds and managed accounts.

FINANCIAL INFORMATION

For the year ended 31 December 2018, it is estimated that we would achieve breakeven under the following scenarios: (i) a decrease in revenue of 53.8% with all other variables unchanged; (ii) an increase in operating cost (except for employee benefits) of 548.8% with all other variables unchanged; or (iii) an increase in employee benefits of 254.6% with all other variables unchanged.

For the year ended 31 December 2019, it is estimated that we would achieve breakeven under the following scenarios: (i) an increase in revenue of 47.4% with all other variables unchanged; (ii) a decrease in operating cost (except for employee benefits) of 106.1% with all other variables unchanged; or (iii) a decrease in employee benefits of 70.6% with all other variables unchanged.

For the three months ended 31 March 2020, it is estimated that we would achieve breakeven under the following scenarios: (i) a decrease in revenue of approximately 21.8% with all other variables unchanged; (ii) an increase in operating costs (except for employee benefits) of approximately 245.3% with all other variables unchanged; or (iii) an increase in employee benefits of approximately 59.9% with all other variables unchanged.

In the year ended 31 December 2019, we did not generate any performance fee income from our funds and managed accounts. On the basis of (i) operational expenses of our Group during the Track Record Period; (ii) actual net management fee margin (which had taken into account the actual management fee and those investors that are not subject to management fees based on a special fee arrangement) of 0.43%, 0.56% and 0.13% for the years ended 31 December 2018, 2019 and the three months ended 31 March 2020, respectively; and (iii) all other variables unchanged, it is estimated that our Group would require the maintenance of approximately US\$1.0 billion, US\$1.0 billion and US\$1.2 billion in AUM, respectively over the Track Record Period to break even in terms of profit before tax solely based on net management fee income (i.e. excluding Listing expenses, consultancy services income, performance fee income and associated paid or accrued discretionary bonus).

The following table sets forth the details of the calculation of average AUM required for operational breakeven:

	For the year ended 31 December 2018	For the year ended 31 December 2019	For the three months ended 31 March 2020
Operating costs and expenses (<i>HK\$'000</i>) ^(note 1)	33,752	43,882	12,195
Average AUM in US\$ million ^(note 2)	430.1	846.2	1,266.0
Net management fee margin ^(note 3)	0.43%	0.56%	0.13%
Average AUM required to breakeven (<i>US\$ million</i>) ^(note 4)	1,013	1,011	1,210

Note 1: The operating costs and expenses include the general and administration expenses and finance costs but exclude any Listing expenses and performance fees and associated discretionary staff bonus.

Note 2: Average AUM is the sum of the month-end AUM divided by the number of months in the given period.

Note 3: Net management fee margin is the net management fee divided by the average AUM for the period indicated.

Note 4: Average AUM required to breakeven is calculated based on the operating costs and expenses divided by the net management fee margin of the respective periods and applying an exchange rate of US\$1 to HK\$7.75.

FINANCIAL INFORMATION

DISCUSSION OF SELECTED BALANCE SHEET ITEMS

Net current assets

The following table sets out a breakdown of our current assets and current liabilities as at the dates indicated:

	As at 31 December		As at 31 March	As at 31 July
	2018	2019	2020	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)
Current assets				
Financial assets at fair value through profit or loss	— ¹	— ¹	— ¹	— ¹
Accounts receivable	67,535	6,797	49,887	8,385
Other receivables	3,006	4,867	4,431	5,885
Deposits placed with a broker	189	173	204	245
Amount due from an associate	683	471	184	—
Tax recoverable	—	1,853	329	258
Cash and cash equivalents	<u>55,946</u>	<u>69,765</u>	<u>48,480</u>	<u>84,793</u>
	<u>127,359</u>	<u>83,926</u>	<u>103,515</u>	<u>99,566</u>
Current liabilities				
Payable to a broker	121	97	100	100
Accruals and other payables	19,885	10,876	29,235	22,724
Financial liabilities at fair value through profit or loss	2	2	2	2
Lease liabilities	—	1,624	1,640	1,662
Tax payable	<u>12,772</u>	<u>11,112</u>	<u>3,790</u>	<u>6,794</u>
	<u>32,780</u>	<u>23,711</u>	<u>34,767</u>	<u>31,282</u>
Net current assets	<u>94,579</u>	<u>60,215</u>	<u>68,748</u>	<u>68,284</u>

Note:

1. The amount is less than HK\$1,000.

As at 31 December 2018 and 2019, 31 March 2020 and 31 July 2020, we had net current assets of approximately HK\$94.6 million, HK\$60.2 million, HK\$68.7 million and HK\$68.3 million, respectively. Our current assets consist primarily of cash and cash equivalents, accounts receivable and other receivables. Our current liabilities consist primarily of accruals and other payables, tax payable and lease liabilities.

FINANCIAL INFORMATION

Our net current assets position decreased from approximately HK\$94.6 million, consisting of current assets of approximately HK\$127.4 million and current liabilities of approximately HK\$32.8 million, as at 31 December 2018, to approximately HK\$60.2 million, consisting of current assets of approximately HK\$83.9 million and current liabilities of approximately HK\$23.7 million, as at 31 December 2019, representing a net current assets decrease of approximately HK\$34.4 million or 36.3%. This decrease was primarily attributable to (i) a decrease in accounts receivable of approximately HK\$60.7 million (primarily due to a decrease in our performance fee income in 2019 as a result of a decrease in the performance of our funds and managed accounts and a decrease in our consultancy fee receivable as at year ended 31 December 2019), partially offset by an increase in cash and cash equivalents of approximately HK\$13.8 million.

Our net current assets increased from approximately HK\$60.2 million as at 31 December 2019 to approximately HK\$68.7 million as at 31 March 2020. Such increase was mainly due to the increase in accounts receivable in the amount of approximately HK\$43.1 million as a result of an increase in our revenue (in particular from performance fee income) for Q1 2020, partially offset by (i) a decrease in cash and cash equivalents in the amount of approximately HK\$21.3 million as a result of payment of tax expenses during the period; and (ii) an increase in accrual and payables for employees benefits.

Our net current assets decreased slightly from approximately HK\$68.7 million as at 31 March 2020 to approximately HK\$68.3 million as at 31 July 2020. Such decrease was mainly due to (i) the increase in tax payables of approximately HK\$3.0 million, partially offset by the decrease in accrual and other payables of approximately HK\$6.5 million due to the decrease in accrued employee benefits and the net profit generated during the four months ended 31 July 2020.

Accounts receivable

Our accounts receivable consist of performance fee receivable, management fee receivable and consultancy service fee receivable. The following table sets out a breakdown of our accounts receivable as at the dates indicated:

	As at 31 December		As at
	2018	2019	31 March
	HK\$'000	HK\$'000	2020
			HK\$'000
Consultancy service fee receivable	1,302	561	–
Management fee receivable	3,578	6,228	8,012
Performance fee receivable	<u>62,655</u>	<u>8</u>	<u>41,875</u>
Total	<u>67,535</u>	<u>6,797</u>	<u>49,887</u>

Our accounts receivable decreased from approximately HK\$67.5 million as at 31 December 2018 to approximately HK\$6.8 million as at 31 December 2019, representing a decrease of approximately HK\$60.7 million or 89.9%. This decrease was primarily attributable to (i) a decrease in performance fee receivable of approximately HK\$62.6 million due to a decrease in our performance fees in 2019 as a result of a decrease in the performance of our funds and managed accounts; and (ii) a decrease in consultancy service fee receivable of approximately HK\$0.7 million due to the decrease in our

FINANCIAL INFORMATION

consultancy service fees in 2019 as a result of the termination of our consultancy services agreement with our largest customer of consultancy services in December 2018; partially offset by an increase in management fee receivable of approximately HK\$2.7 million due to the increase in our management fees in 2019 as a result of the increase in our AUM.

Our accounts receivable increased from approximately HK\$6.8 million as at 31 December 2019 to approximately HK\$49.9 million as at 31 March 2020, representing an increase of approximately HK\$43.1 million or 6.3 times. This increase was primarily attributable to (i) an increase in performance fee receivable of approximately HK\$41.9 million due to the increase in our performance fees in Q1 2020 as a result of strong performance of our funds and managed accounts under management; (ii) an increase in management fee receivable of approximately HK\$1.8 million due to the increase in our management fees in the same period as a result of the increase in our AUM, partially offset by (iii) a decrease in consultancy service fee receivable of approximately HK\$0.6 million as no consultancy service fee income was recorded during the latter period.

The following table sets out an ageing analysis of our accounts receivable past due but not impaired as of the dates indicated:

	As at 31 December		As at
	2018	2019	31 March
	HK\$'000	HK\$'000	2020
			HK\$'000
Accounts receivable past due			
Not past due	67,535	6,236	49,887
1 – 30 days	–	288	–
31 – 60 days	–	144	–
Over 90 days but less than one year	–	129	–
Total	<u>67,535</u>	<u>6,797</u>	<u>49,887</u>

As at 31 December 2019 and 31 March 2020, the total amount of accounts receivable that were past due but not impaired amounted to approximately HK\$0.5 million and nil, respectively. These receivables are unsecured and non-interest-bearing. We have not provided for impairment loss over these amounts. No accounts receivable was past due as at 31 December 2018.

The following table sets out our turnover days for accounts receivable during the Track Record Period:

	Year 31 December		Three months ended
	2018	2019	31 March
			2020
Accounts receivable turnover days ⁽¹⁾	<u>156</u>	<u>56</u>	<u>92</u>

FINANCIAL INFORMATION

Note:

- (1) Our accounts receivable turnover days is calculated based on the accounts receivable as at year/period end divided by the revenue during the relevant year/period.

Our Group generally charges management fees from funds and managed accounts on a monthly basis and performance fees on a quarterly or annual basis. The fund administrators engaged by the funds or managed accounts (as applicable) are responsible for the calculation and settlement of management and performance fees which our Group is entitled to charge pursuant to relevant investment mandates. As such, our fees are settled through the fund administrators rather than by investors directly. Our finance team reviews and reconciles the monthly statement prepared by fund administrators, among others, in respect of fees we are entitled to charge. We normally receive fees 30 days after month end.

For consultancy service fee receivables, we generally offer a 30 days credit period.

Our accounts receivable turnover days decreased from 156 days for the year ended 31 December 2018 to 56 days for the year ended 31 December 2019, primarily due to a significant decrease in performance fee receivables and consultancy fee receivables in 2019 compared to 2018. Had the performance fees and consultancy fees been excluded, our accounts receivable turnover days (mainly represented management fees) for the year ended 31 December 2018 would be 73 days, which was longer than a month because the management fee receivables recorded in the last two months of 2018 were relatively higher (as our Group's AUM as well as management fees increased gradually towards the end of that year).

Our accounts receivable turnover days increased to 92 days for the three months ended 31 March 2020. Such increase was mainly due to the increase in performance fee income from the True Partner Fund which was calculated on a quarterly basis.

As at the Latest Practicable Date, our accounts receivables as of 31 March 2020 had been subsequently settled in full.

Prepayment, deposits and other receivables

Our other receivables consist of deposits, prepayments, prepaid Listing expenses and other receivables. The following table sets out a breakdown of our other receivables as at the dates indicated:

	As at 31 December		As at 31
	2018	2019	March
	HK\$'000	HK\$'000	2020
			HK\$'000
Deposits	1,441	1,207	846
Other receivables	397	733	691
Prepayments	1,168	1,404	1,371
Prepaid listing expenses	—	1,523	1,523
Total	3,006	4,867	4,431

Our deposits mainly represent (i) our rental deposits placed with landlords; and (ii) deposits placed with a data centre service provider and a market data services provider. Our deposits decreased from approximately HK\$1.4 million as at 31 December 2018 to approximately HK\$1.2 million as at 31 December 2019, representing a decrease of approximately HK\$0.2 million or 16.2%. This decrease was primarily attributable to the decrease in rental deposits placed with landlords. Our deposits decreased to

FINANCIAL INFORMATION

HK\$0.8 million as at 31 March 2020 which was mainly due to the refund of our rental deposit of approximately HK\$0.4 million from our previous landlord in respect of our office premises before relocation.

Our other receivables mainly represent the amount due from funds and managed accounts managed by us which mainly consisted of reimbursement of legal fees and market data services from the funds pursuant to the investment advisory agreements. Our other receivables increased from approximately HK\$0.4 million as at 31 December 2018 to approximately HK\$0.7 million as at 31 December 2019, representing an increase of approximately HK\$0.3 million or 84.6%. This increase was primarily due to the increase in other receivables from our own funds and managed accounts of approximately HK\$0.3 million. As at 31 March 2020, our other receivables remained stable at approximately HK\$0.7 million.

Our prepayments mainly represent (i) the amount prepaid to our services providers for services provided; (ii) our rental and utilities prepayments; (iii) prepayment for our sponsorship for marketing activities; and (iv) prepayment to professional parties in connection to the Listing exercise. Our prepayments increased from approximately HK\$1.2 million as at 31 December 2018 to approximately HK\$2.9 million as at 31 December 2019, representing an increase of approximately HK\$1.8 million or 150.6%. This increase was primarily attributable to the increase in prepayment of Listing expenses for professional parties of approximately HK\$1.5 million. As at 31 March 2020, our prepayments remained stable at approximately HK\$1.4 million.

Deposits placed with a broker

Our deposits placed with a broker represent cash held by a broker in relation to our trading of equity.

As at 31 December 2018 and 2019 and 31 March 2020, our deposits placed with a broker remained stable at approximately HK\$189,000, HK\$173,000 and HK\$204,000, respectively.

Amount due from an associate

Our amount due from an associate represents the amount due from Capital True Partner Technology Co. Ltd. (a company incorporated in the PRC which is owned as to 49% by our subsidiary True Partner China Holding Limited) to True Partner China Holding Limited in relation to an IP transfer agreement concerning the transfer of intellectual property rights in respect of certain exchange gateways. Please refer to the section headed “Relationship with the Capital Group – B. Investments between the Group and the Capital Group” in this prospectus. The amount due is non-trade in nature, interest-free, unsecured and repayable on demand. The amount due from such associate was fully settled in May 2020.

Payable to a broker

Our payable to a broker represents the amount due to a broker in relation to our deficit balance in the brokerage account. Such balance has been fully settled as at the Latest Practicable Date.

FINANCIAL INFORMATION

Our payable to a broker decreased from approximately HK\$121,000 as at 31 December 2018 to approximately HK\$97,000 as at 31 December 2019, representing a decrease of approximately HK\$24,000 or 19.8%. This decrease was primarily attributable to the changes in investment value and margin of our investments. As at 31 March 2020, our payable to the broker remained stable at approximately HK\$100,000.

Accruals and other payables

Our accruals and other payables mainly consist of accrued employee benefits, performance fee payable, management fee payable, accrued expenses and accrued Listing expenses. The following table sets out a breakdown of our accruals and other payables as at the dates indicated:

	As at 31 December		As at
	2018	2019	31 March
	HK\$'000	HK\$'000	2020
			HK\$'000
Accrued employee benefits ⁽¹⁾	8,279	4,176	11,059
Accrued listing expenses ⁽²⁾	–	2,329	5,849
Accrued expenses ⁽³⁾	1,162	2,322	2,592
Management fee payable ⁽⁴⁾	1,560	2,048	2,324
Performance fee payable ⁽⁴⁾	8,884	1	7,411
Total	19,885	10,876	29,235

Notes:

- (1) Accrued employee benefits primarily represented staff bonus and other benefits.
- (2) Accrued listing expenses primarily represented accrued professional fees in connection to the listing exercise.
- (3) Accrued expenses primarily represented accrued professional fees including auditor's remuneration, tax service fee and other payables.
- (4) Management and performance fee payable primarily represented management and performance fee payable, respectively, to our capital introduction partners.

Our accruals and other payables decreased from approximately HK\$19.9 million as at 31 December 2018 to approximately HK\$10.9 million as at 31 December 2019, representing a decrease of approximately HK\$9.0 million or 45.3%. This decrease was primarily attributable to (i) a decrease in performance fee payable of approximately HK\$8.9 million due to a decrease in performance fees in 2019 a result of the decrease in the performance of our funds and managed accounts; and (ii) a decrease in accrued employee benefits of approximately HK\$4.1 million due to a decrease in employee benefits in 2019, partially offset by (i) an increase in accrued Listing expenses of approximately HK\$2.3 million due to the incurrence of listing expenses in 2019; and (ii) an increase in accrued expenses of approximately HK\$1.2 million due to (a) withholding tax and national insurance contributions in respect of a new overseas employee in 2019 and (b) an increase in accrued legal and professional fees as a result of the due diligence in respect of our investment in Holland & Muh.

FINANCIAL INFORMATION

Our accrual and other payables increased from approximately HK\$10.9 million as at 31 December 2019 to approximately HK\$29.2 million as at 31 March 2020. The increase was mainly due to (i) the increase in accrued employee benefits as a result of accrued bonus of approximately HK\$10.3 million as a result of our operating results in Q1 2020; (ii) an increase in performance fee payables as a result of an increase in performance fee income; and (iii) and increase in accrued Listing expenses of approximately HK\$3.5 million due to the incurrence of Listing expenses in Q1 2020.

Lease liabilities

The following table sets out a breakdown of our lease liabilities as at the dates indicated:

	As at 31 December		As at
	2018	2019	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Lease liabilities			
– Current	–	1,624	1,640
– Non-current	–	2,123	1,707
Total	–	3,747	3,347

In accordance with HKFRS 16 on lease accounting, we have recognised all of our property leases (except for short-term leases of a term of 12 months or less) as right-of-use assets and the corresponding liabilities on the date on which the respective leased asset is available for our use based on the present value of total future lease payments over the entire lease term. Upon recognition, the right-of-use assets are subject to periodic depreciation over the lease term while interest expenses are periodically accounted for in respect of the outstanding lease liabilities over the lease term. For further details on the lease liabilities, please refer to note 24 to the Accountants' Report contained in Appendix IA to this prospectus.

We did not incur any lease liabilities as at 31 December 2018. The increase in lease liabilities to approximately HK\$3.7 million as at 31 December 2019 was primarily attributable to the commencement of a new lease for our relocated Hong Kong office in 2019.

As at 31 March 2020, the decrease in non-current lease liabilities by approximately HK\$0.4 million was mainly due to the lease payments made during the three months ended 31 March 2020.

Tax payable

Our tax payable represents accumulated tax payable in respect of Hong Kong corporate income tax.

Our tax payable decreased from approximately HK\$12.8 million as at 31 December 2018 to approximately HK\$11.1 million as at 31 December 2019, representing a decrease of approximately HK\$1.7 million or 13.0%. This decrease was primarily attributable to a decrease in profit, partially offset by tax paid during the year.

FINANCIAL INFORMATION

Our tax payable decreased from approximately HK\$11.1 million as at 31 December 2019 to approximately HK\$3.8 million as at 31 March 2020, representing a decrease of approximately HK\$7.3 million or 65.9%. This decrease was primarily attributable to the tax payment made during the period, partially offset by the increase in profit.

Our tax payables as at 31 December 2019 mainly represented the tax payables balance brought forward from the year ended 31 December 2018 for certain Hong Kong operating subsidiaries, namely True Partner Holding Limited, T8 Software Consulting Limited and True Partner Consulting Limited. We only received the notice of profits tax assessment from the Hong Kong Inland Revenue Department (“HKIRD”) during the period December 2019 to January 2020 in respect of the financial year 2018 with payment deadline by January or March 2020. Our Directors believe that such delay of issuance of tax assessment notices was mainly due to the social unrest in Hong Kong and the outbreak of COVID-19 in 2019 where the operation of the HKIRD had been interrupted and suspended occasionally. Our Group did not have any dispute or unresolved tax issues with the relevant tax authorities during the Track Record Period and up to the Latest Practicable Date. All the tax payables as of 31 December 2019 had been fully settled as of the Latest Practicable Date.

Non-current assets

The following table sets out a breakdown of our non-current assets as at the dates indicated:

	As at 31 December		As at
	2018	2019	31 March
	HK\$'000	HK\$'000	2020
			HK\$'000
Plant and equipment	440	1,849	1,731
Right-of-use assets	–	3,555	3,161
Intangible assets	16	59	52
Investment in an associate	–	–	–
Financial assets at fair value through profit or loss	8,025	18,428	20,820
Financial assets at fair value through other comprehensive income	4,797	3,738	2,557
Total	13,278	27,629	28,321

Our non-current assets mainly consist of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, right-of-use assets, plant and equipment, and intangible assets. Our financial assets at fair value through profit or loss represent investments in the True Partner Fund by our subsidiary True Partner Advisor Limited, and our financial assets at fair value through other comprehensive income represents our investment in CSC Futures.

Our non-current assets increased from approximately HK\$13.3 million as at 31 December 2018 to approximately HK\$27.6 million as at 31 December 2019, representing an increase of approximately HK\$14.4 million or 108.1%. This increase was primarily attributable to (i) an increase in our investment in the True Partner Fund in March 2019; (ii) an increase in right-of-use asset as a result of the new lease agreement entered into for our relocated Hong Kong office during 2019; and (iii) purchase of plant and equipment.

FINANCIAL INFORMATION

Our non-current assets increased from approximately HK\$27.6 million as at 31 December 2019 to approximately HK\$28.3 million as at 31 March 2020, representing an increase of approximately HK\$0.7 million or 2.5%. This increase was primarily attributable to (i) an increase in NAV of our investment in the True Partner Fund as a result of strong performance of the fund during Q1 2020; partially offset by (ii) the decrease in fair value of investment in CSC futures as a result of the revaluation of fair value as at 31 March 2020.

Plant and equipment

Our plant and equipment mainly consists of computer equipment, leasehold improvements, furniture and fixtures, and office equipment. Our plant and equipment increased from approximately HK\$0.4 million as at 31 December 2018 to approximately HK\$1.8 million as at 31 December 2019, representing an increase of approximately HK\$1.4 million or 320.2%. This increase was primarily attributable to an increase in leasehold improvements as a result of the relocation of our Hong Kong office in 2019, as well as new computer equipment for the increase in staff.

Our plant and equipment decreased to HK\$1.7 million as at 31 March 2020, which was mainly due to the depreciation of plant and equipment of approximately HK\$0.2 million, partially offset by additional computer equipment during the three months ended 31 March 2020.

Intangible assets

Our intangible assets primary represent (i) development costs of our in-house software (which were fully amortised prior to the Track Record Period) and (ii) the cost of software that we purchased from third parties. Given our in-house software was ready for use in 2015, all subsequent costs in connection with our in-house software are recognised as expenses in our income statement. Our intangible assets increased from approximately HK\$16,000 as at 31 December 2018 to approximately HK\$59,000 as at 31 December 2019, representing an increase of approximately HK\$43,000 or 268.8%. This increase was primarily attributable to our purchase of software from third parties. The intangible assets as at 31 March 2020 remained stable at approximately HK\$52,000.

Right-of-use assets

Our right-of-use assets comprise the rights to use properties under leases (with a term of over 12 months) which are measured at cost. For further details on our recognition of right-of-use assets, please refer to note 14 in the Accountants' Report contained in Appendix IA to this prospectus.

Our right-of-use assets of approximately HK\$3.6 million as at 31 December 2019 represents our lease for our relocated Hong Kong office in 2019.

Our right-of-use assets decreased by approximately HK\$0.4 million from approximately HK\$3.6 million as at 31 December 2019 to approximately HK\$3.2 million as at 31 March 2020, which was mainly due to depreciation for the three months ended 31 March 2020 of approximately HK\$0.4 million.

FINANCIAL INFORMATION

Investments

Our financial assets at fair value through profit or loss represent our investments in the True Partner Fund. Our subsidiary True Partner Advisor Limited invested US\$1 million in the True Partner Fund in June 2018 and US\$1.5 million in True Partner Fund in March 2019 so as to demonstrate alignment of interest with fund investors. Our financial assets at fair value through profit or loss increased from approximately HK\$8.0 million as at 31 December 2018 to approximately HK\$18.4 million as at 31 December 2019, and further increased to HK\$20.8 million as at 31 March 2020. This increase was primarily attributable to our additional investment in the True Partner Fund in March 2019 and the positive fund performance of the investment for the three months ended 31 March 2020. As at 31 December 2018 and 2019 and 31 March 2020, our investment in the True Partner Fund represented 0.16%, 0.21% and 0.2% of our AUM, respectively.

Our financial assets at fair value through other comprehensive income represent our investment in CSC Futures, a company incorporated in Hong Kong. Our subsidiary True Partner Holding Limited acquired a 5% equity interest in CSC Futures from Capital Futures Corp. in March 2014. In December 2016, our interest was diluted to 2.73% due to an allotment to Capital Futures Corp. from an increase in share capital. Our financial assets at fair value through other comprehensive income decreased from HK\$4.8 million as at 31 December 2018 to approximately HK\$3.7 million as at 31 December 2019, and further decreased to approximately HK\$2.6 million as at 31 March 2020. This decrease was primarily attributable to the decrease in fair value of the investment in CSC Futures. Please refer to “Financial Information – Description of selected items in the consolidated statements of profit or loss and other comprehensive income – Other comprehensive loss” in this prospectus for information on the valuation of the fair value of the investment conducted by a third-party appraisal firm, and note 31 (c) in the Accountants’ Report set out in Appendix IA to this prospectus for details of the fair value measurement.

In relation to the valuation of the financial assets (i.e. the investment in CSC Futures), our Directors, based on the professional advice received, adopted the following procedures: (i) reviewed the financial statement of CSC Futures and its ultimate holding company which is listed on the Taiwan Stock Exchange and gained an understanding of the nature and prospect of the business of CSC Futures, its financial conditions, economic outlook in general and the specific economic environment and market elements and risks affecting the business, industry and market from time to time; (ii) engaged the independent appraisal firm to conduct valuation of the investment value and assessed the qualifications and background of the independent appraisal firm; (iii) discussed and reviewed the methodologies and basis adopted by the third-party appraisal firm; (iv) conducted market research of listed equities with a similar business nature in respect of the industry prospects and market conditions; (v) carefully considered all information especially non-market related information input, such as the discount rate to the underlying financial assets, which require management assessments and estimates; and (vi) reviewed the valuation working papers and results. Based on the above procedures, our Directors are of the view that the valuation analysis is fair and reasonable, and the investment in CSC Futures is properly measured.

The Reporting Accountants have performed audit work in accordance with HKSA 540 “*Auditing Accounting Estimates, including Fair Value Accounting Estimates, and Related Disclosures*” to assess the accounting estimates used in the Group’s level 3 financial assets, including the following procedures for the purpose of expressing their audit opinion on the financial information of the Group as a whole for the Track Record Period:

FINANCIAL INFORMATION

- obtained an understanding of the Group’s procedures and methods of valuation, including significant assumptions made and management’s assessment of estimation uncertainty;
- re-calculated the valuation made by the Group’s management;
- reviewed the outcome of the valuation made in the prior period;
- evaluated the independence and works performed by the expert engaged by the Group’s management to assist their valuation;
- evaluated whether the method of valuation and assumptions made are appropriate;
- tested the data used by the Group’s management in the valuation;
- determined whether an indication of possible management bias exist; and
- evaluated the recognition and measurement criteria used and disclosure made by management.

The Sole Sponsor, having reviewed the relevant notes in the Accountants’ Report as contained in Appendix IA, the valuation reports prepared by the independent appraisal firm and the method applied and the accounting estimates used in the Group’s level 3 financial assets, in particular that the benchmarking companies and the discount rate applied was fair and reasonable as compared to market rates, the Sole Sponsor concurs with the view of our Directors and Reporting Accountants that the amount of the fair value change of the financial assets at fair value through other comprehensive income is fair and reasonable. Having considered the view and work conducted by the Directors and Reporting Accountants and the relevant due diligence done as stated above, the Sole sponsor is satisfied that the Group’s management has made sufficient valuation and nothing has come to the Sole Sponsor’s attention that would cause the Sole Sponsor to question the valuation analysis performed on the financial assets categorised within level 3 of fair value measurement.

Our investment in an associate represents our 49% equity interest in Capital True Partner Technology Co., Ltd. The cost of our investment in Capital True Partner Technology Co., Ltd. has been fully impaired as the associate made losses in previous years.

For further information on such investments and our proprietary investment policies, please see the section headed “Business – Our Investments” in this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we financed our capital expenditure and working capital requirements primarily through cash generated from operating activities. We did not incur any debt repayment or interest payment obligations. Following completion of the Listing, we expect that our liquidity requirements will be satisfied using a combination of cash generated from operating activities and the net proceeds from the Share Offer. Our business operations and expansion plans require a significant amount of capital, including (i) the acquisition of office equipment (including furniture and computer equipment) for the expansion of our operations in Hong Kong, Amsterdam, Chicago and London; (ii) the acquisition of IT equipment for the enhancement our IT systems; and (iii) leasehold improvements for our Hong Kong office. For details of our future plans, please see the section headed “Future Plans and Use of Proceeds” in this prospectus. Our Directors believe that in the long term, our Group’s operations will be funded by internally generated cash flows and, if necessary, additional equity financing.

FINANCIAL INFORMATION

Cash flows

The following table sets out a summary of our cash flows from our consolidated statements of cash flows for the Track Record Period:

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating profit/(loss) before working capital changes	98,107	(17,380)	(3,181)	14,391
Net change in working capital	<u>(46,047)</u>	<u>50,059</u>	<u>48,261</u>	<u>(24,041)</u>
Cash generated from/(used in) operations	52,060	32,679	45,080	(9,650)
Interest received	9	18	6	–
Hong Kong profit tax refunded/(paid)	339	(1,221)	–	(11,082)
Overseas income tax paid	<u>–</u>	<u>(2,674)</u>	<u>–</u>	<u>–</u>
Net cash generated from/(used in) operating activities	52,408	28,802	45,086	(20,732)
Net cash (used in) investing activities	(7,958)	(13,850)	(12,110)	(106)
Net cash (used in) financing activities	<u>(3)</u>	<u>(1,133)</u>	<u>(1)</u>	<u>(437)</u>
Net increase/(decrease) in cash and cash equivalents	44,447	13,819	32,975	(21,275)
Cash and cash equivalents at the beginning of the year	11,664	55,946	55,946	69,765
Effect of foreign exchange rate changes	<u>(165)</u>	<u>–</u>	<u>–</u>	<u>(10)</u>
Cash and cash equivalents at the end of the year	<u><u>55,946</u></u>	<u><u>69,765</u></u>	<u><u>88,921</u></u>	<u><u>48,480</u></u>

FINANCIAL INFORMATION

Operating Activities

As at 31 December 2018 and 2019 and 31 March 2020, we had cash and cash equivalents of approximately HK\$55.9 million, HK\$69.8 million and HK\$48.5 million, respectively, consisting entirely of cash on hand and balance with banks.

Our cash inflow from operating activities primarily comprises of the receipt of management and performance fees from our funds and managed accounts. Our cash outflow from operating activities primarily comprises of payments of operating expenses such as staff costs, rental expenses, sales and marketing expenses, IT-related costs in connection to our investment trading activities and income tax. Operating cash flows reflect our profit/(loss) before income tax adjusted for: (i) non-cash items, mainly including depreciation, fair value changes arising from financial instruments at fair value through profit or loss and amortisation of intangible assets; (ii) the effects of changes in our working capital, which mainly comprise our accounts receivable, accruals and other payables, other receivables and deposits placed with a broker; and (iii) income tax paid/refund and interest income.

For the year ended 31 December 2018, our net cash generated from operating activities amounted to approximately HK\$52.4 million, primarily attributable to (i) profit before income tax of approximately HK\$97.8 million, which was primarily adjusted for depreciation of plant and equipment of approximately HK\$0.5 million; and (ii) an increase in accruals and other payables of approximately HK\$17.3 million as a result of the increase in accrued employee benefits and the services fee to capital introduction partners. This was partially offset by an increase in accounts receivable of approximately HK\$63.4 million as a result of the increase in performance fee receivable and management fee receivable.

For the year ended 31 December 2019, our net cash generated from operating activities amounted to approximately HK\$28.8 million, primarily attributable to (i) loss before income tax of approximately HK\$20.7 million, which was primarily adjusted for depreciation of plant and equipment of approximately HK\$0.8 million, depreciation of right-of-use assets of approximately HK\$1.2 million, and fair value gain arising from financial instruments at fair value through profit or loss of approximately HK\$1.2 million; and (ii) a decrease in account receivables of approximately HK\$60.7 million as a result of the decrease in performance fee receivable and management fee receivable. This was partially offset by a decrease in accruals and other payables of approximately HK\$9.0 million as a result of decrease in accrued employee benefits and the absence of performance fee payable to capital introduction partners.

For the three months ended 31 March 2020, our net cash used in operating activities amounted to approximately HK\$20.7 million, primarily attributable to (i) profit before income tax of approximately HK\$16.1 million, which was primarily adjusted for fair value gain arising from financial instruments at fair value through profit or loss of approximately HK\$2.4 million; (ii) depreciation of right-of-use assets of approximately HK\$0.4 million; and (iii) an increase in accruals and other payables of approximately HK\$18.4 million as a result of (a) an increase in accrued employee benefits as a result of accrued bonus of approximately HK\$10.3 million as a result of our operating results in Q1 2020, (b) an increase in performance fee payables as a result of an increase in performance fee income, and (c) an increase in accrued Listing expenses of approximately HK\$3.5 million due to the incurrence of Listing expenses in Q1 2020. This was offset by an increase in accounts receivable of approximately HK\$43.1 million as a result of the increase in performance fee receivable and management fee receivable, partially offset by the decrease in receivable from consultancy fees. For details, please refer to “Discussion of selected balance sheet items – Accounts Receivable” in this section. We paid approximately HK\$11.1 million

FINANCIAL INFORMATION

Hong Kong profits tax during the three months ended 31 March 2020. Such tax payment mainly represents our tax payables as at 31 December 2019 which was the tax payables balance brought forward from the year ended 31 December 2018 for certain Hong Kong operating subsidiaries. We only received the notice of profits tax assessment from the HKIRD during the period December 2019 to January 2020 in respect of the financial year 2018 with payment deadline by January or March 2020. Our Directors believe that such delay of issuance of tax assessment notices was mainly due to the social unrest in Hong Kong and the outbreak of COVID-19 in 2019 where the operation of the HKIRD had been interrupted and suspended occasionally. For details, please refer to “Discussion of selected balance sheet items – Tax payables” in this section.

Investing Activities

During the Track Record Period, our cash flows from investing activities primarily comprised the acquisition of financial assets at fair value through profit or loss, and the purchase of our plant and equipment and software.

For the year ended 31 December 2018, our net cash used in investing activities amounted to approximately HK\$8.0 million, primarily attributable to (i) our investment in the True Partner Fund of approximately HK\$7.8 million; and (ii) purchases of plant and equipment of approximately HK\$0.2 million.

For the year ended 31 December 2019, our net cash used in investing activities amounted to approximately HK\$13.9 million, primarily attributable to (i) our additional investment in the True Partner Fund of approximately HK\$11.6 million; and (ii) purchases of plant and equipment and software of approximately HK\$2.2 million.

For the three months ended 31 March 2020, our net cash used in investing activities amounted to approximately HK\$0.1 million attributable to purchases of plant and equipment.

Financing Activities

Our cash outflow from financing activities primarily comprises prepayment for Listing expenses, payment of lease liabilities and interest, and payment of interest to brokers.

For the year ended 31 December 2018, our net cash used in financing activities amounted to approximately HK\$3,000, primarily attributable to interest paid to brokers.

For the year ended 31 December 2019, our net cash used in financing activities amounted to approximately HK\$1.1 million, primarily attributable to (i) payment of lease liabilities of approximately HK\$1.0 million; and (ii) payment of interest on lease liabilities of approximately HK\$0.1 million.

For the three months ended 31 March 2020, our net cash used in financing activities amounted to approximately HK\$0.4 million, primarily attributable to payment of lease liabilities of approximately HK\$0.4 million.

FINANCIAL INFORMATION

WORKING CAPITAL

Taking into account the financial resources available to our Group, including expected (i) net cash inflow from operating activities which primarily comprises of (a) cash inflow from management and performance fees which the Group would be entitled to charge from the funds and managed accounts managed by the Group; and (b) cash outflow for payments of operating expenses such as staff costs, rental expenses, sales and marketing expenses, other IT-related costs in connection with the Group's investment trading activities and income tax, (ii) cash and cash equivalents on hand, and (iii) the estimated net proceeds of the Share Offer (after a possible Downward Offer Price Adjustment setting the final Offer Price up to 10% below the bottom end of the indicative Offer Price range), 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 our present requirements, for at least 12 months from the date of this prospectus.

NET ASSETS

As at 31 December 2019, our Group had net assets of approximately HK\$85.7 million, comprising non-current assets of approximately HK\$27.6 million, current assets of approximately HK\$83.9 million and current liabilities of approximately HK\$23.8 million.

As at 31 March 2020, our Group had net assets of approximately HK\$95.4 million, comprising non-current assets of approximately HK\$28.3 million, current assets of approximately HK\$103.5 million and current liabilities of approximately HK\$34.8 million.

INDEBTEDNESS

We do not rely on borrowings in the ordinary course of our fund management business and did not incur any borrowings during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that as at the Latest Practicable Date, we did not have plans for material external debt financing. As at 31 July 2020 (being the latest practicable date for indebtedness), we had lease liabilities of approximately HK\$2.8 million.

Our Directors confirm that that our Group did not, as of the Latest Practicable Date, 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.

Contingent liabilities

As of 31 March 2020 and up to 31 July 2020 (being the latest practicable date for indebtedness), 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 or contingent liabilities since 31 July 2020 and up to the Latest Practicable Date.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES AND COMMITMENTS

Our capital expenditures for the years ended 31 December 2018 and 2019 and three months ended 31 March 2020 were approximately HK\$0.2 million, HK\$2.2 million and HK\$0.1 million, respectively. Our capital expenditures principally comprise expenditures for the purchase of furniture and fixtures, computer equipment, office equipment and payment for leasehold improvements.

Planned capital expenditures

We expect to incur capital expenditures of approximately HK\$10.6 million in the next few years primarily in relation to (i) the acquisition of office equipment (including furniture and computer equipment) for the expansion of our operations in Hong Kong, Amsterdam, Chicago and London; (ii) the acquisition of IT equipment for the enhancement our IT systems; and (iii) leasehold improvements for our Hong Kong office. We intend to fund our planned capital expenditures through a combination of cash generated from operating activities and the proceeds from the Share Offer. Our actual capital expenditures may differ from these amounts due to various factors, including future changes in our business plans, our future cash flows, results of operations and financial condition, the economic conditions in Hong Kong, the U.S. and globally, and changes in the regulatory environment in Hong Kong, the U.S. and globally. In addition, we may incur additional capital expenditures from time to time as we pursue new opportunities to expand our business. For details of our future plans, please see the section headed “Future plans and use of proceeds” in this prospectus.

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.

Capital commitments

In January 2020, Chengdu HuLi Management Consulting Limited (“CHMC”), a subsidiary of our Company, entered into a capital increase framework agreement with independent third parties, pursuant to which CHMC agreed to make a capital injection of RMB3,000,000 to Holland & Muh Investment Management Co., Ltd., a limited liability company established in the PRC, for CHMC’s acquisition of 30% of the equity interests in Holland & Muh. The total cost of investment is RMB3.0 million and all of such had been fully settled by our Group in May 2020, following which Holland & Muh became an associate of our Company.

Saved as disclosed above, we did not have any material capital commitments as at 31 March 2020.

FINANCIAL INFORMATION

Operating lease commitments

As at the date indicated, the Group had the following commitments for future minimum lease payments in respect of short-term leases.

	As at 31 December		As at
	2018	2019	31 March
	HK\$'000	HK\$'000	2020
			HK\$'000
Within one year	249	113	348
In the second to fifth year inclusive	—	—	—
	<u>249</u>	<u>113</u>	<u>348</u>

RELATED PARTY TRANSACTIONS

We enter into related party transactions with our related parties from time to time. The following table sets out a breakdown of our transactions with related parties during the Track Record Period:

			Year ended	
			31 December	
			2018	2019
		Note	HK\$'000	HK\$'000
Name of related parties	Nature of transactions			
True Partner Fund	Management and performance fee income	(i), (ii)	48,673	31,942
True Partner Volatility Fund	Management and performance fee income	(i), (iii)	44,147	3,791
			Three months ended	
			31 March	
			2019	2020
		Note	HK\$'000	HK\$'000
			(unaudited)	
True Partner Fund	Management and performance fee income	(i), (ii)	7,635	37,389
True Partner Volatility Fund	Management and performance fee income	(i), (iii)	542	1,364

Notes:

- (i) A Director of the Company is a member of key management personnel of these funds.

FINANCIAL INFORMATION

- (ii) For the years ended 31 December 2018 and 2019, included in the management and performance fee income from the True Partner Fund are amounts of HK\$160,000 and HK\$320,000, respectively, attributable to the investments in the True Partner Fund held by True Partner Advisor Limited, a subsidiary of the Company. For the three months ended 31 March 2019 and 2020, included in the management and performance fee income from the True Partner Fund are amounts of HK\$40,000 and HK\$389,000, respectively, attributable to the investments in the True Partner Fund held by True Partner Advisor Limited, a subsidiary of the Company.
- (iii) For the years ended 31 December 2018 and 2019, included in the management and performance fee income from the True Partner Volatility Fund are amounts of approximately HK\$124,000 and HK\$57,000, respectively, attributable to the investments in the True Partner Volatility Fund held by a Director of the Company. For the three months ended 31 March 2019 and 2020, included in the management and performance fee income from the True Partner Volatility Fund are amounts of approximately HK\$15,000 and HK\$15,000, respectively, attributable to the investments in the True Partner Volatility Fund held by a Director of the Company.

Our Directors confirmed their views that each of the related party transactions set out in note 28 of the Accountants' Report in Appendix IA to this prospectus (i) were conducted on normal commercial terms and/or on terms not less favourable than terms available from Independent Third Parties, and were fair, reasonable and in the interest of our Shareholders as a whole; and (ii) do not distort our Track Record Period results or make our historical results not reflective of our future performance.

For further details of these related party transactions, please refer to note 28 of Accountants' Report in this prospectus.

DIVIDENDS

No dividends were declared and paid by our Company during the Track Record Period.

Any declaration and payment of dividends by our Company shall be made in accordance with the constitutional documents of our Company and the applicable laws and regulations.

Any declaration of dividends following the Listing will be subject to the discretion of our Board and approval of our Shareholders. Our Board may recommend the declaration of dividends in the future after taking into account, among others, our operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, capital expenditure and future development requirements, Shareholders' interests and other factors which they may deem relevant at such time. Any historical declarations of dividends may or may not reflect our future recommendation of declaration of dividends and will be at the absolute discretion of our Directors.

Considering the financial position of our Company, our Board currently intends to recommend, subject to the approval of our Shareholders, the factors set out above and any other factors our Board may deem relevant, declare a dividend of no less than 30% of our profits available for distribution generated for the year ending 31 December 2020. However, there is no assurance that dividends of such amount or any amount will be approved or distributed for the year ending 31 December 2020.

DISTRIBUTABLE RESERVES

Our Company was incorporated on 23 November 2018 and has not carried any business since the date of incorporation. Accordingly, our Company did not have any distributable reserves as at 31 March 2020.

FINANCIAL INFORMATION

OFF-BALANCE SHEET TRANSACTIONS

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any material off-balance sheet transactions or arrangements.

KEY FINANCIAL RATIOS

The following table sets out certain of our key financial ratios as of the dates or for years indicated:

	Year ended/ as at 31 December		Three months ended/ as at 31 March
	2018	2019	2020
Current ratio ⁽¹⁾ (<i>times</i>)	3.9	3.5	3.0
Quick ratio ⁽²⁾ (<i>times</i>)	3.9	3.5	3.0
Return/(loss) on equity ⁽³⁾ (%)	78.8	(24.6)	11.4
Return/(loss) on total assets ⁽⁴⁾ (%)	60.5	(18.9)	8.2

Notes:

- (1) Current ratio is calculated based on the total current assets at the end of a year/period divided by the total current liabilities at the end of the respective year/period.
- (2) Quick ratio is calculated based on the total current assets (excluding inventories) at the end of a year/period divided by the total current liabilities at the end of the respective year/period.
- (3) Return/loss on equity is calculated based on the net profit/loss for a year/period divided by the total equity at the end of the respective year/period and multiplied by 100%. The ratio for the three months ended 31 March 2020 is based on three months profit after taxation.
- (4) Return/loss on total assets is calculated based on the net profit/loss for a year/period divided by the total assets at the end of the respective year/period and multiplied by 100%. The ratio for the three months ended 31 March 2020 is based on three months profit after taxation.

Current ratio and quick 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 current ratio decreased from 3.9 times as at 31 December 2018 to 3.5 times as at 31 December 2019 primarily due to the decrease in trade receivables, which was mainly driven by the decrease in revenue during the year ended 31 December 2019.

Our current ratio decreased to 3.0 times as at 31 March 2020 primarily due to (i) a decrease in cash and cash equivalent as a result of settlement of tax expenses, and (ii) an increase in accruals and other payables of employee benefits and fees to capital introduction partners, partially offset by the increase in account receivables as a result of increase in income from fund management business.

FINANCIAL INFORMATION

Return on equity

Our return on equity changed from 78.8% for the year ended 31 December 2018 to loss on equity of 24.6% for the year ended 31 December 2019 primarily due to our net loss for the year ended 31 December 2019 as a result of the decrease in revenue in the corresponding year.

Our return on equity increased to 11.4% for the three months ended 31 March 2020 primarily due to our increase in revenue (in particular due to the increase in our performance fee income) in the corresponding period.

Return on total assets

Our return on assets changed from 60.5% for the year ended 31 December 2018 to loss on assets of 18.9% for the year ended 31 December 2019 primarily due to our net loss for the year ended 31 December 2019 as a result of the decrease in revenue in the corresponding year.

Our return on assets increased to 8.2% for the three months ended 31 March 2020 primarily due to our increase in revenue (in particular due to the increase in our performance fee income) in the corresponding period.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to a variety of financial risks, including credit risk, liquidity risk, currency risk, interest rate risk and market price risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider necessary to hedge any of these risks. For further details, including relevant sensitivity analysis, please see note 31 in the Accountants' Report set out in Appendix IA to this prospectus.

Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss to our Group by failing to discharge an obligation. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position.

In order to minimise credit risk, our Directors closely monitor the overall level of credit exposure, and management is responsible for the determination of credit approvals and monitoring the implementation of the debt collection procedure to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate loss allowances are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk has been significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputations or high credit ratings assigned by international credit-rating agencies. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, our Group does not have any other significant concentration of credit risk.

FINANCIAL INFORMATION

Liquidity risk

Liquidity risk is the risk that our Group will encounter difficulty in meeting obligations associated with financial liabilities. In the management of liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance our operations and mitigate the effects of fluctuations in cash flows.

For more information on our policies and practices to monitor liquidity risk, please see the section headed “Business – Risk management and internal control – Risk management control – (iii) Liquidity risk” in this prospectus.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Our Group’s transactions over the Track Record Period were mainly denominated in HK dollar and US dollar. Since the HK dollar is pegged to the US dollar, material fluctuations in the exchange rates of the HK dollar against the US dollar are remote.

Other than HK dollar and US dollar, as at 31 March 2020, our Group had financial assets and financial liabilities exposed to foreign currencies in Euro, Renminbi, Pound sterling, Singapore dollar and Swiss franc in amounts equivalent to approximately HK\$1.7 million (assets), HK\$0.2 million (assets), HK\$1.1 million (liabilities), HK\$60,000 (liabilities) and HK\$19,000 (assets), respectively.

Should the HK dollar as at 31 March 2020 devalue by 10% against other foreign currencies, our Group’s carrying amount of net financial assets exposed to currency risk in accordance with HKAS 21 “The Effects of Changes in Foreign Exchange Rates” would increase and our Group’s equity at 31 March 2020 would increase by approximately HK\$74,000, and profit for the three months ended 31 March 2020 would increase by approximately HK\$74,000.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Our Group did not have any significant interest rate risk.

Equity price risk

Equity price risk is the risk that investments in equity securities will fluctuate due to factors including changes in market prices.

Our Group is exposed to equity price risk mainly through our investment in the True Partner Fund by our subsidiary True Partner Advisor Limited. Our management manages equity price risk by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

FINANCIAL INFORMATION

If equity prices had been 10% higher/lower as at 31 March 2020, with other variables held constant, our Group's post-tax profit for the three months ended 31 March 2020 would decrease/increase by less than HK\$1,000. This is mainly due to the changes in fair value of held-for-trading financial assets at fair value through profit or loss.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

For the unaudited pro forma adjusted consolidated net tangible assets prepared in accordance with Rule 7.31 of the GEM Listing Rules for illustrating the effect of the Share Offer as if it had taken place on 31 March 2020, please refer to the section headed "Appendix II – Unaudited pro forma financial information" in this prospectus.

LISTING EXPENSES

Our Listing expenses mainly include underwriting commissions, and professional fees paid to legal advisers and the Reporting Accountants for their services rendered in relation to the Listing and the Share Offer. Without taking into account any discretionary incentive fee which may be payable by us in relation to the Share Offer, we expect to incur in aggregate approximately HK\$35.0 million in Listing expenses, representing approximately 20.0% of the total expected gross proceeds of the Share Offer of HK\$175 million (assuming an Offer Price of HK\$1.75 per Offer Share, based on the mid-point of our indicative Offer Price range of between HK\$1.55 to HK\$1.95 per Offer Share).

Of the estimated aggregate amount of Listing expenses, approximately HK\$15.2 million is expected to be accounted for as a deduction from equity upon the Listing. The remaining amount of approximately HK\$19.8 million is expected to be charged to our profit or loss, of which approximately HK\$7.5 million and HK\$10.6 million, respectively has been recognised in our profit or loss for the year ended 31 December 2019 and the three months ended 31 March 2020, respectively.

Our Directors are of the view that and potential investors should note that our financial result for the year ending 31 December 2020 is expected to be adversely affected by, among other things, our non-recurring estimated Listing expenses. As such, our financial performance for the year ending 31 December 2020 may not be comparable to our financial performance during the Track Record Period. In addition, our Directors would like to emphasise that the amount of our Listing expenses is a current estimate for reference only and the final amount to be recognised in our financial statements is subject to adjustment based on audit and the then changes in variables and assumptions, and as such, the actual amount may differ from this estimate.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors confirm that, as at the Latest Practicable Date, there were no circumstances that would give rise to the disclosure requirements under Rules 17.15 to 17.21 of the GEM Listing Rules.

NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the date of this Prospectus, we have continued to focus on developing our investment management 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

FINANCIAL INFORMATION

been no material adverse change in our financial or trading position or prospects since 31 March 2020 and no event had occurred since 31 March 2020 which would materially affect the information shown in our financial information included in the Accountants' Report set out in Appendix IA to this prospectus.

RECENT DEVELOPMENT

Unaudited financial information for the three months ended 30 June 2020

Income from fund management business: Our net fee income from our fund management business for the three months ended 30 June 2020 increased by approximately HK\$11.7 million (or approximately 135%) as compared to approximately HK\$8.7 million for the same period in 2019. Approximately HK\$13.2 million (or 64.8%) of our net fee income for the three months ended 30 June 2020 was derived from net management fees while approximately HK\$7.2 million (or 35.2%) was derived from net performance fees. We did not generate any performance fee income during the corresponding period in 2019. The significant increase in net performance fee income was mainly due to the positive performance of the funds and managed accounts under management during a more volatile market environment since Q1 2020 as result of the COVID-19 outbreak. Our increase in net management fees was mainly due to the increase in our AUM from US\$737 million on 31 March 2019 to US\$1.373 billion on 31 March 2020. As at 30 June 2020, our AUM slightly decreased to approximately US\$1.357 billion mainly due to partial redemption by some investors. Our AUM further increased to approximately US\$1.389 billion as at 31 July 2020 and amounted to approximately US\$1.579 billion as at 31 August 2020. As at 31 March 2019 and 31 March 2020, approximately 51% and 61% of the total AUM of our Group were chargeable with management fees, whereas the remainder of AUM were not chargeable with management fees, respectively.

Income from consultancy services: We generated approximately HK\$0.5 million consultancy services income for the three months ended 30 June 2020 whereas we generated approximately HK\$0.3 million during the same period in 2019.

General and administrative expenses: Our general and administrative expenses increased by HK\$3.4 million (or approximately 31.6%) for the three months ended 30 June 2020 as compared to approximately HK\$10.9 million in the same period in 2019. The increase was mainly due to the increase in accrued discretionary bonus linked to performance fee income. Saved as above, the other operating expenses remained stable.

Comparison of financial results for the first quarter and second quarter of 2020

The unaudited condensed consolidated results of the Group for the three months ended 30 June 2020, together with the audited results for the three months ended 31 March 2020, are as follows:

FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the three months ended	
	31 March	30 June
	2020	2020
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Audited)	(Unaudited)
Revenue	49,598	23,489
Other income	55	1
Direct costs	(2,794)	(2,583)
Fair value gain on financial assets at fair value through profit or loss	2,392	16
General and administrative expenses	(22,500)	(14,315)
Listing expense	(10,598)	(970)
Finance costs	(37)	(32)
Share of result of associates	—	(51)
Profit/(loss) before income tax	16,116	5,555
Income tax expense	(5,284)	(3,211)
Profit/(loss) for the period	<u>10,832</u>	<u>2,344</u>

Discussion of Selected Statements of Profit or Loss Items

Revenue:

The following table sets out our gross and net management and performance fee income over the three months ended 30 June 2019 and 2020:

	For the three months ended	
	31 March	30 June
	2020	2020
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Audited)	(Unaudited)
<i>Revenue</i>		
Gross management fee	14,239	15,189
Gross performance fee	<u>35,359</u>	<u>7,784</u>
<i>Total gross fee income</i>	<u>49,598</u>	<u>22,973</u>
Net management fee	12,329	13,220
Net performance fee	<u>34,475</u>	<u>7,170</u>
<i>Total net fee income</i>	<u>46,804</u>	<u>20,390</u>

FINANCIAL INFORMATION

AUM and net management fee and performance fee margin:

	Three months ended	
	31 March	30 June
	2020	2020
AUM at period end (US\$ in million)	1,373	1,357
Average AUM (US\$ in million)	1,266	1,312
Net fee income margin (%)	0.48	0.20
Net performance fee margin (%)	0.35	0.07
Net management fee margin (%)	0.13	0.13

Analysis of fund performance for Q1 2020 vs Q2 2020

Generally, our funds under management performed well in Q1 2020 against the market backdrop of high volatility caused by COVID-19 in March 2020 and were stable in a market environment of reduced volatility in the second quarter of 2020 (“**Q2 2020**”). For example the returns on the generally representative class B-1 shares of our True Partner Fund increased by 13.3% in Q1 2020, whilst remaining stable with a negligible increase in Q2 2020. As a result, our Q2 2020 fund performance was in line with expectations in terms of our strategy, whilst our Q1 2020 funds performance was also in line with expectations in terms of strategy given the prevailing market conditions.

The net fee income from our fund management business for the three months ended 30 June 2020 decreased by approximately HK\$20.4 million (or approximately 56%) as compared to approximately HK\$46.8 million for the three months ended 31 March 2020. Approximately HK\$13.2 million (or 64.8%) of our net fee income for the three months ended 30 June 2020 was derived from net management fees while approximately HK\$7.1 million (or 35.2%) was derived from net performance fees as compared with approximately HK\$12.3 million (or 26.3%) derived from net management fees and HK\$34.5 million (or 73.7%) derived from net performance fees for the three months ended 31 March 2020. The net performance fee income in Q2 2020 was mainly due to the crystallisation of performance fees arising from positive returns in Q1 2020 on redemption. On the other hand, the decrease from Q1 2020 was mainly due to the relatively lower performance of the funds under management during Q2 2020, which experienced declining volatility compared with the highly volatile market environment in March of Q1 2020 resulting from the COVID-19 outbreak.

The increase in net management fees was mainly due to the fact that the average AUM during Q2 2020 was slightly higher (by 3.6%) as compared with the average AUM during Q1 2020 notwithstanding the slight decrease of 1.7% in our AUM from US\$1.373 billion on 31 March 2020 to US\$1.357 billion on 30 June 2020.

In addition, as at 30 June 2020 there were unrealised net performance fees which in each case can only be realised pursuant to relevant investment mandates and booked on crystallisation over the period up to 31 December 2020 as described above. Unrealised performance fees remain subject to increases and decreases as a result of the performance of our funds and managed accounts from 1 July 2020 to 31 December 2020.

FINANCIAL INFORMATION

Income from consultancy services:

We generated approximately HK\$0.5 million consultancy services income for the three months ended 30 June 2020 whereas we did not incur such income for the three months ended 31 March 2020.

Fair value gain on financial assets at fair value through profit or loss:

A fair value gain on financial assets at fair value through profit or loss decreased from approximately HK\$2.4 million for the three months ended 31 March 2020 to approximately HK\$16,000 for the three months ended 30 June 2020. The change was mainly due to the decrease in NAV of the True Partner Fund for the three months ended 30 June 2020 as a result of the fund's performance.

General and administrative expenses:

Our general and administrative expenses decreased by approximately HK\$8.2 million (or approximately 36.4%) for the three months ended 30 June 2020 as compared to approximately HK\$22.5 million for the three months ended 31 March 2020. The decrease was mainly due to the decrease in our accrued discretionary bonus linked to performance fee income of approximately HK\$8.1 million.

Income tax expense:

For the three months ended 31 March 2020 and 30 June 2020, our income tax expenses amounted to HK\$5.3 million and approximately HK\$3.2 million, respectively and our effective income tax rates were approximately 32.8% and 57.8%, respectively. The increase in effective tax rate was mainly due to the decrease in operating profit as a result of performance of our funds and managed accounts.

Profit for the period

For the three months ended 31 March 2020 and 30 June 2020, we incurred net profit after tax of approximately HK\$10.8 million and approximately HK\$2.3 million, respectively. The change was primarily attributable to the decrease in our revenue as explained above.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 March 2020 (HK\$'000) (Audited)	As at 30 June 2020 (HK\$'000) (Unaudited)
Non-current assets		
Plant and equipment	1,731	1,612
Right-of-use assets	3,161	2,767
Intangible assets	52	47
Investments in associates	–	3,237
Financial assets at fair value through profit or loss	20,820	20,836
Financial assets at fair value through other comprehensive income	<u>2,557</u>	<u>2,480</u>
	<u>28,321</u>	<u>30,979</u>
Current assets		
Accounts receivable	49,887	11,351
Other receivables	4,431	6,177
Deposits placed with a broker	204	159
Amount due from an associate	184	–
Tax recoverable	329	249
Cash and cash equivalents	<u>48,480</u>	<u>79,974</u>
	<u>103,515</u>	<u>97,910</u>
Current liabilities		
Payable to a broker	100	–
Accruals and other payables	29,235	22,416
Financial liabilities at fair value through profit or loss	2	2
Lease liabilities	1,640	1,657
Tax payable	<u>3,790</u>	<u>5,953</u>
	<u>34,767</u>	<u>30,028</u>
Net current assets	<u>68,748</u>	<u>67,882</u>
Total assets less current liabilities	97,069	98,861
Non-current liability		
Lease liabilities	<u>1,707</u>	<u>1,286</u>
Net assets	<u><u>95,362</u></u>	<u><u>97,575</u></u>

FINANCIAL INFORMATION

	As at 31 March 2020 <i>(HK\$'000)</i> (Audited)	As at 30 June 2020 <i>(HK\$'000)</i> (Unaudited)
Capital and reserves		
Share capital	32,486	32,486
Reserves	<u>58,030</u>	<u>60,045</u>
	90,516	92,531
Non-controlling interests	<u>4,846</u>	<u>5,044</u>
Total equity	<u>95,362</u>	<u>97,575</u>

Discussion of Selected Balance Sheet Items

Plant and equipment:

Our plant and equipment decreased to HK\$1.6 million as at 30 June 2020, which was mainly due to the depreciation of plant and equipment of approximately HK\$0.2 million.

Right-of-use assets:

Our right-of-use assets decreased by approximately HK\$0.4 million from approximately HK\$3.2 million as at 31 March 2020 to approximately HK\$2.8 million as at 30 June 2020, which was mainly due to depreciation for the three months ended 30 June 2020 of approximately HK\$0.4 million.

Investments:

Our investment in an associate amounted to approximately HK\$3.2 million as at 30 June 2020, representing an increase of 100% as compared to 31 March 2020. Such investment in an associate represents our 30% equity interests in Holland & Muh Investment Management Co., Ltd..

FINANCIAL INFORMATION

Accounts receivable:

The following table sets out a breakdown of our accounts receivable as at the dates indicated:

	As at 31 March 2020	As at 30 June 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Consultancy service fee receivable	–	516
Management fee receivable	8,012	8,493
Performance fee receivable	<u>41,875</u>	<u>2,342</u>
Total	<u>49,887</u>	<u>11,351</u>

Our accounts receivable decreased from approximately HK\$49.9 million as at 31 March 2020 to approximately HK\$11.4 million as at 30 June 2020, representing a decrease of approximately HK\$38.5 million or 77.2%. This decrease was primarily attributable to a decrease in performance fee receivable of approximately HK\$39.5 million due to a decrease in our performance fees in the three months ended 30 June 2020 as a result of a decrease in the performance of our funds and managed accounts.

Prepayment, deposits and other receivables:

The following table sets out a breakdown of our other receivables as at the dates indicated:

	As at 31 March 2020	As at 30 June 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deposits	846	865
Other receivables	691	43
Prepayments	1,371	1,427
Prepaid listing expenses	<u>1,523</u>	<u>3,842</u>
Total	<u>4,431</u>	<u>6,177</u>

Our other receivables decreased from approximately HK\$691,000 as at 31 March 2020 to approximately HK\$43,000 as at 30 June 2020, which was mainly due to a decrease in the amount due from funds and managed accounts managed by us of approximately HK\$646,000.

FINANCIAL INFORMATION

Accruals and other payables:

The following table sets out a breakdown of our accruals and other payables as at the dates indicated:

	As at 31 March 2020	As at 30 June 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued employee benefits	11,059	14,014
Accrued listing expenses	5,849	4,055
Accrued expenses	2,592	2,004
Management fee payable	2,324	1,980
Performance fee payable	<u>7,411</u>	<u>363</u>
Total	<u>29,235</u>	<u>22,416</u>

Lease liabilities

The following table sets out a breakdown of our lease liabilities as at the dates indicated:

	As at 31 March 2020	As at 30 June 2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Lease liabilities		
– Current	1,640	1,657
– Non-current	<u>1,707</u>	<u>1,286</u>
Total	<u>3,347</u>	<u>2,943</u>

The decrease in non-current lease liabilities from 31 March 2020 to 30 June 2020 of approximately HK\$0.4 million was mainly due to the lease payment made during the three months ended 30 June 2020.

Tax payable:

Our tax payable represents accumulated tax payable in respect of Hong Kong corporate income tax.

Our tax payable increased from approximately HK\$3.8 million as at 31 March 2020 to approximately HK\$6.0 million as at 30 June 2020, representing an increase of approximately HK\$2.2 million or 57.5%. This increase was primarily attributable to the operating profit during the three months ended 30 June 2020.

FINANCIAL INFORMATION

CASH FLOWS

	For the three months ended	
	31 March	30 June
	2020	2020
	(HK\$'000)	(HK\$'000)
		(Unaudited)
Net cash generated from/(used in) operating activities	(20,732)	35,379
Net cash used in investing activities	(106)	(3,395)
Net cash used in financing activities	<u>(437)</u>	<u>(436)</u>
<i>Net (decrease)/increase in cash and cash equivalents</i>	(21,275)	31,548
<i>Cash and cash equivalents at beginning of the period</i>	69,765	48,480
<i>Effect on foreign exchange rates changes</i>	<u>(10)</u>	<u>(54)</u>
 <i>Cash and cash equivalents at end of the period</i>	 <u><u>48,480</u></u>	 <u><u>79,974</u></u>

Operating Activities

For the three months ended 30 June 2020, our net cash generated from operating activities, amounting to approximately HK\$35.4 million, was primarily attributable to profit before income tax of approximately HK\$5.5 million, which was primarily adjusted for (i) an increase in performance fee receivable and management fee receivable of approximately HK\$39.0 million, (ii) the decrease in accrual and other payables for performance fee payable of approximately HK\$7.0 million, and (iii) tax payment of HK\$1.0 million during the period.

Investing Activities

For the three months ended 30 June 2020, our net cash used in investing activities, amounting to approximately HK\$3.4 million, was attributable to our capital injection of RMB3,000,000 for 30% of the equity interest in Holland & Muh Investment Management Co., Ltd., a limited liability company established in the PRC. For details, please refer to the section headed “Business – Our Investments” in this prospectus.

Financing Activities

For the three months ended 30 June 2020, our net cash used in financing activities amounted to approximately HK\$0.4 million, which was primarily attributable to payment of lease liabilities.

In addition, the above unaudited financial information for the three months ended 30 June 2019 and 2020 has been derived from our condensed consolidated interim financial statements for the three months ended 30 June 2019 and 2020 respectively, 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. In addition, the accounting policies and calculations for the unaudited condensed consolidated interim financial statements have been reviewed by the Reporting Accountants.

FINANCIAL INFORMATION

On the basis of the information comprising the unaudited condensed consolidated financial information of the Group for the three and six months ended 30 June 2020 and the accounting policies and calculations adopted by the Group and reviewed by the Reporting Accountants, the Sole Sponsor is of the opinion that the such unaudited condensed consolidated financial information, for which the Directors are solely responsible, have been made after due and careful enquiry, and such information have been included in the Appendix IB to this prospectus.

Our Directors also confirmed that our Group's net management fee income for the four months ended 31 July 2020 was sufficient to cover our Group's operating expenses (including general and administration expenses and finance costs without taking into account the accrued performance bonus in relation to the performance fee income and any tax implications) during the same period.

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 or prospects since 31 March 2020 and no event had occurred since 31 March 2020 which would materially affect the information shown in our financial information included in the Accountants' Report set out in Appendix IA to this prospectus.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors.

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 solutions passed at Shareholders' meetings, setting strategic directions of our Group, determining our business and investment plans as well as exercising powers, functions and duties conferred by the constitutional documents of our Group.

The following table sets forth certain information relating to our Directors:

Name	Age	Date of appointment as Director	Date of joining the Group	Position/title	Roles and responsibilities	Relationship with other Directors/senior management members
Mr. Ralph Paul Johan VAN PUT	54	November 2018	May 2011	Executive Director, chief executive officer and chairman of the Board	Overseeing overall business development, strategic direction and management of the Group	None
Mr. Godefriedus Jelte HEIJBOER (alias: Govert HEIJBOER)	45	November 2018	May 2010	Executive Director and co-chief investment officer	Overseeing all investment and fund management and research activities	None
Mr. Tobias Benjamin HEKSTER	47	March 2020	August 2011	Executive Director and co-chief investment officer	Overseeing all investment and fund management and research activities	None
Mr. Roy VAN BAKEL	43	March 2020	May 2010	Executive Director and chief technology officer	Overseeing information technology and development department	None
Mr. Jeronimus Mattheus TIELMAN (alias: Jeroen Tielman)	58	March 2020	March 2020	Independent non-executive Director	Provide independent advice to the Board	None
Ms. Wan Ting PAI (alias: Jasmine Pai)	36	March 2020	March 2020	Independent non-executive Director	Provide independent advice to the Board	None
Mr. Ming Tak NGAI (alias: Michael Ngai)	53	March 2020	March 2020	Independent non-executive Director	Provide independent advice to the Board	None

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ralph Paul Johan VAN PUT, aged 54, is the executive Director and chief executive officer of our Company. Joining our Group in May 2011, Mr. Van Put is primarily in charge of our Group's overall business development and management. He was appointed as the chairman of the Board on 16 March 2020.

Mr. Van Put has over 25 years of experience in finance and particularly in proprietary trading. Mr. Van Put has comprehensive knowledge in investment fund and trading technology and extensive experience in entrepreneurship. He is responsible for overseeing overall business development and day-to-day operations of our Group. The following table summarises Mr. Van Put's professional experience prior to joining our Group:

Name of company/institution	Principal business activities	Last position held	Responsibilities	Period of services
Sfiss Financial Technology B.V. ("SFT") commercially known as AtomPro (acquired by Saen Options Holding B.V. in June 2007)	Trading software	Founder and chief executive officer	Developed option trading and risk management software	March 1995 to June 2007
Saen Options Holding B.V. (acquired by All Options International BV in March 2009)	Proprietary trading	Chairman and chief executive officer	Oversaw the overall business operations and expansion	September 1999 to June 2009
Saen Options Holding Hong Kong Ltd.	Proprietary trading	Chief executive officer (Asia Pacific)	Oversaw the overall business operations and expansion of proprietary trading business in Asian market	June 2008 to March 2009
All Options Hong Kong Limited	Derivative trading	Chief executive officer	Oversaw the overall business operations and expansion of proprietary trading business in Asian market	April 2009 to March 2011

Prior to joining the Group, Mr. Van Put founded and managed SFT, a technology company providing software and tools for market makers. Mr. Van Put immersed himself into both technology and trading business by serving as a chief executive officer in both SFT and Saen Options. Leveraging his experience in developing option trading and risk management software in SFT and directing the expansion of proprietary trading business in Saen Options, he has led the development of our proprietary trading technology system for trading, execution, portfolio management and risk management purposes.

Mr. Van Put has been an adjunct professor in the Department of Finance of the Chinese University of Hong Kong since April 2013 and an adjunct specialist professor in the Department of Finance of National Taiwan University from August 2012 to July 2016.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Van Put obtained a bachelor's degree in Engineering from the School of Technology Inholland Alkmaar in the Netherlands in June 1991.

Mr. Godefriedus Jelte HEIJBOER (alias: Govert HEIJBOER), aged 45, is the executive Director and the co-chief investment officer of our Company. Mr. Heijboer joined our Group in May 2010 and is co-responsible for all trading and fund management and research activities of the Group.

Mr. Heijboer has over 16 years of experience in the area of proprietary trading and quantitative research. Prior to joining our Group, from July 2003 to September 2008, Mr. Heijboer worked in Saen Options Holding B.V., a derivative trading company, as a researcher, trader and the head of derivatives trading. He was mainly responsible for derivative trading in the major European markets. From September 2008 to March 2009, Mr. Heijboer was the head of trading in Saen Options Hong Kong Ltd. where he was responsible for managing trading activities. From April 2009 to January 2010, Mr. Heijboer was a senior trader in All Options Hong Kong Limited after All Options International BV acquired Saen Options Hong Kong Ltd. He was responsible for the trading activities in the Hong Kong office of All Options International B.V. With the diversified experience and knowledge across different trading areas, Mr. Heijboer's versatility offered immense value to our Group.

Mr. Heijboer obtained a master's degree in Applied Physics from University of Twente in the Netherlands in August 1998. In May 2003, Mr. Heijboer obtained a doctorate in Management Science from University of Twente.

Mr. Tobias Benjamin HEKSTER, aged 47, is the executive Director and the co-chief investment officer of our Company. Mr. Hekster joined our Group in August 2011 and is co-responsible for all trading and fund management and research activities of the Group.

Mr. Hekster has over 21 years of experience in the area of proprietary trading. Prior to joining our Group, Mr. Hekster worked for IMC, a large-scale proprietary trading firm and market maker, for an extended period of time. He was a market maker in IMC Trading BV from January 1998 to December 1999 and a special products trader in the same company from January 2000 to February 2004 where he was responsible for developing and trading arbitrage strategies. From March 2004 to December 2007, Mr. Hekster was a senior supervising trader in Holland Trading House LLC (IMC Chicago), where he was involved in development of arbitrage strategy on a major American exchange-traded fund and managed its equity options trading operations. From February 2008 to February 2010, Mr. Hekster was a head of volatility arbitrage in IMC Asia Pacific Limited, one of the leading trading firms, where he was principally responsible for establishing a framework for high-frequency volatility arbitrage. In March 2010, Mr. Hekster founded and acted as a director of RVT Hong Kong Limited, a proprietary trading firm transacting equity index derivatives, where he developed trading strategy and infrastructure for dynamic volatility arbitrage between the main Hong Kong equity indices.

Mr. Hekster was an adjunct specialist professor in the department of finance in National Taiwan University from August 2014 to July 2016 and an adjunct associate professor in the department of finance in the Chinese University of Hong Kong from October 2014 to October 2017.

Mr. Hekster obtained a master's degree in Economics from University of Groningen in the Netherlands in November 1996.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Roy VAN BAKEL, aged 43, is the executive Director and the chief technology officer of our Company. Mr. Van Bakel joined our Group in May 2010 and is responsible for overseeing the information technology and development departments.

Mr. Van Bakel has over 17 years of experience in the area of proprietary trading and technology development. Prior to joining our Group, Mr. Van Bakel worked at Sfiiss Financial Technology B.V., a company principally engaged in the development of trading software, as financial system developer from February 2002 to September 2006. Mr. Van Bakel was a senior developer at Saen Options BV, a proprietary trading company, from October 2006 to May 2008 and worked as the head of software development and the chief technology officer of Saen Options Hong Kong Limited from June 2008 to March 2009. Mr. Van Bakel became the senior developer of All Options Hong Kong Limited, a derivative trading company, from April 2009 to September 2009 where Saen Options Holding B.V., which was acquired by All Options International BV in March 2009. Since October 2009, Mr. Van Bakel has been the managing director of T8 Software Consulting, which became a wholly owned subsidiary of our Company on 19 May 2010.

Mr. Van Bakel obtained his master's degree in Mathematical Sciences from the University of Twente in the Netherlands in February 2002.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Jeronimus Mattheus TIELMAN (alias: Jeroen TIELMAN), aged 58, is an independent non-executive Director of our Company. Mr. Tielman is responsible for supervising and providing independent advice to the Board. Mr. Tielman joined our Company in March 2020.

Mr. Tielman is the founder and managing partner in QStone Capital, a boutique established in March 2016 that develops investment opportunities in the global waste-water treatment market and assists selected water recycling technology firms with fine-tuning their strategy, growing their business in Europe and India and arranging different types of growth finance. Prior to founding QStone Capital, Mr. Tielman founded IMQubator funds and IMQ Investment Management B.V., an independent asset management company and institutional fund in January 2009. He worked as a chief executive officer in IMQ Investment Management B.V. where he designed and developed an incubator for international, hedge and private equity funds until December 2015.

Mr. Tielman worked in ABN AMRO from August 1986 to May 2000 where he last served as a senior vice president of global head product development of ABN AMRO Asset Management. He was responsible for the development of investment funds for institutional-private banking and the retail markets served by ABN AMRO Asset Management. In May 2000, Mr. Tielman founded FundPartners B.V., where he served as a chief executive officer and was responsible for overseeing its development of independent institutional investment products until December 2004 when FundPartners was acquired by NIB Capital. Mr. Tielman worked as a director of pension business development in NIB Capital from January 2005 to January 2006 where he was involved with the development of pension business. From February 2006 to February 2008, he joined Cordares, a pension asset manager, as a managing director of commerce, strategy and innovation where he was responsible for coordinating the launch of new pension plan products and the introduction of alternative investment strategies. From April 2008 to December 2008, Mr. Tielman co-initiated the establishment of an international pension investment collaboration network and prepared the founding of IMQubator.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tielman obtained a master's degree in Business Administration from the Erasmus University Rotterdam in the Netherlands in May 1986. He is a registered investment analyst in the Netherlands.

Mr. Tielman was previously an authorised representative and liquidator of the following company which has been deregistered in the Netherlands:

Company name	Place of incorporation	Date of dissolution	Means of dissolution	Reason of deregistration	Principal business activities
IMQ Investment Management BV	The Netherlands	31 March 2018	Voluntary winding up and liquidation	The IMQubator multi-manager funds, which IMQ Investment Management B.V. managed, came to an end.	Asset management

As confirmed by Mr. Tielman, to the best of his knowledge and belief, the above company was solvent at the time of its deregistration. Mr. Tielman has confirmed that there was no fraudulent act or misfeasance on his part leading to the deregistration of the abovementioned company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the deregistration of such company.

Ms. Wan Ting PAI (alias: Jasmine Pai), aged 36, is an independent non-executive Director of our Company. Ms. Pai is responsible for supervising and providing independent advice to the Board. Ms. Pai joined our Company in March 2020.

Prior to joining our Company, Ms. Pai joined PriceWaterhouseCoopers Taiwan from September 2006 to June 2009 where she held multiple roles as an auditor in IPO projects for listings on the Taiwan Stock Exchange. Ms. Pai was responsible for risk assessment of clients' going concern postulate and compliance. Her training and experience have equipped Ms. Pai with adaptability to engage in a wide variety of industries, amid fast paced business environments, where accounting principles and financial principles were subject to continuous changes. From October 2010 to September 2012, Ms. Pai was a senior analyst and a manager of the operating audit and analysis division in Top Victory Electronics (Taiwan) Co., Ltd, a subsidiary of a previously listed electronics manufacturer on the Hong Kong Stock Exchange where she was responsible for reviewing financial documents, conducting analysis and forecast. From October 2012 to May 2018, Ms. Pai joined Taiwan Mobile Co., Ltd., a listed company on the Taiwan Stock Exchange, as a senior financial analyst and financial controller where she was responsible for preparing and analysing financial reports of the subsidiaries. During her tenure with these listed companies, Ms. Pai led operational discussions across multiple regions and subsidiaries which prepared her as a manager and as a leader with the ability to build exceptional relationships within these

DIRECTORS AND SENIOR MANAGEMENT

firms, both between different locations as between different departments. Ms. Pai has been a financial and administrative controller of Molly & Hank Co., Ltd. (KidsAwesome Museum) since December 2018. She is responsible for the overall accounting and audit and the regulatory alignment of the company.

During her career, Ms. Pai has developed the necessary accounting and financial management expertise and accumulated a wealth in knowledge and experience in various crucial aspects of finance and accounting: preparing, reviewing and analysing audited financial statements, providing strategic management of the accounting and finance functions, directing accounting policies, procedures and internal controls, recommending improvements to safeguard the integrity of the company's financial information, managing and overseeing the relationship with independent auditors, overseeing financial systems implementations and upgrades, identifying and managing business risks and insurance requirements.

Ms. Pai obtained a bachelor's degree in Business Administration from National Chengchi University in Taiwan in June 2006. She was admitted as a certified public accountant in Taiwan in 2012.

Mr. Ming Tak NGAI, (alias: Michael Ngai) aged 53, is an independent non-executive Director of our Company. Mr. Ngai is responsible for supervising and providing independent advice to the Board. Mr. Ngai joined our Company in March 2020.

Mr. Ngai is the chairman of the Red Group, a corporation focusing on international business investment. Mr. Ngai worked in UBS Investment Bank from April 2006 to November 2013 where he last served as a managing director. He was mainly responsible for investment banking business. Mr. Ngai has been an independent non-executive director of Starlight Culture Entertainment Group Limited (SEHK: 1159, a company principally engaged in the investment of movies and television series) since May 2017.

Mr. Ngai is a member of the National Committee of the Chinese People's Political Consultative Conference, a Standing Committee member of the Heilongjiang Provincial Committee of the People's Political Consultative Conference, Fellow Commoner and Development Advisory Council Member of Clare Hall, University of Cambridge, Council Member and Chairman of the Institutional Advancement Committee of Lingnan University, a member of the Transport Tribunal Panel, and a member of the Administrative Appeals Board.

Mr. Ngai obtained his master's degree in Philosophy from University of Cambridge in July 1991.

DISCLOSURE REQUIRED UNDER RULE 17.50(2) OF THE GEM LISTING RULES

Save as disclosed above, each of our Directors confirm with respect to himself/herself that: (i) he/she has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) he/she does not hold any other position in our Company or any of its subsidiaries; (iii) save as disclosed in the section "C. Further information about Directors, management, and staff – 1. Directors – (a) Disclosure of interests of Directors" in Appendix IV to this prospectus, he/she does not have any interests in the Shares within the meaning of Part XV of the SFO; (iv) he/she is independent of from, and had no other relationship with, any Directors, Substantial Shareholders or senior management of our Company as at the Latest Practicable Date; (v) he/she does not have any interest in a business apart from ours which competes or is likely to compete, directly or indirectly, with us; (vi) there is no other information that needs to be disclosed

DIRECTORS AND SENIOR MANAGEMENT

pursuant to Rule 17.50(2) of the GEM Listing Rules; and (vii) to the best of the knowledge, information and belief of each of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

Our senior management team includes our executive Directors and in addition, the following table sets out certain information concerning each of the senior management members of our Group:

Name	Age	Date of joining the Group	Position/title	Roles and responsibilities	Relationship with other Directors/senior management members
Mr. Johan Marianus Cecil CORNELISSEN	48	March 2016	Senior Portfolio Manager	Overseeing portfolio management and trading activities	None
Mr. Thorsten GRAGERT	45	July 2018	Head of research and development	Leading the development of trading technology	None
Mr. Remco JANSSEN	54	February 2012	Chief operating officer	Overseeing operational activities of asset management	None
Mr. Edward Joseph DONNELLAN III	68	July 2017	Chief compliance officer	Overseeing regulatory and compliance matters	None
Ms. Kit Man WONG (alias: Ms. Doris Wong)	38	September 2011	Chief financial officer	Overseeing overall financial management	None

DIRECTORS AND SENIOR MANAGEMENT

Mr. Johan Marianus Cecil CORNELISSEN, aged 48, is the senior portfolio manager of our Group and is jointly responsible for the portfolio management and trading activities of the Group with the co-chief investment officers. Mr. Cornelissen joined our Group in March 2016 and has 22 years of experience in the area of proprietary trading. Prior to joining our Group, Mr. Cornelissen was a senior floor trader in Saen Options B.V., a proprietary trading company, from August 1997 to January 2000. From January 2000 to January 2006, Mr. Cornelissen was a managing director in Saen Options USA, where he established and managed the US trading operations. From April 2009 to February 2016, he was a managing partner in ON Trading LLC, an investment company focusing on niche asset classes. Mr. Cornelissen obtained a master's degree in Economics from Erasmus University Rotterdam in the Netherlands in November 1998.

Mr. Thorsten GRAGERT, aged 45, is the head of research and development of our Group and is responsible for leading the development of trading technology. Mr. Gragert joined our Group in July 2018 and has 22 years of experience in the area of proprietary trading and software development. Prior to joining our Group, Mr. Gragert was the chief technology officer in Sfiss Financial Technology B.V., which was acquired by Saen Options Holdings B.V. in 2006, from October 1997 to September 2006. Acquiring Sfiss Financial Technology B.V., a technology company providing software and tools for market makers, Saen Options Holdings B.V. became a more competitive market maker by combining the technology expertise with trading expertise. Mr. Gragert was a master architect in All Options B.V. from April 2009 to May 2014 respectively. Mr. Gragert's experience in Sfiss Financial Technology B.V., a technology company providing software and tools for market makers and Saen Options, a market making company focusing on proprietary trading, enhanced his capability and knowledge across different aspects of trading. From June 2014 to July 2018, Mr. Gragert was a senior quantitative analyst of ING Group, where he was responsible for developing and maintaining a calculation engine. Mr. Gragert obtained a master's degree in Applied Mathematics from University of Twente in the Netherlands in December 1997.

Mr. Remco JANSSEN, aged 54, is the chief operating officer of our Group. Mr. Janssen is responsible for overseeing all operational aspects of our asset management activities. Mr. Janssen joined our Group in February 2012 and has 18 years of experience in software development. Prior to joining our Group, Mr. Janssen joined Generali Verzekeringsgroep NV as a software developer where he was responsible for the development of insurance policy management software from December 2001 to December 2002. Mr. Janssen was a senior developer in Sfiss Financial Technology B.V., Saen Options B.V. from December 2002 to September 2006 and from October 2006 to May 2009 respectively. From June 2009 to January 2012, Mr. Janssen joined All Options (Chengdu) Co., Ltd as a senior developer where he managed a team with regard to asset management and trading software development. Mr. Janssen obtained a bachelor's degree in Engineering from HAN University of Applied Sciences in the Netherlands in July 1988.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Edward Joseph DONNELLAN III, aged 68, is the chief compliance officer of our Group who is responsible for regulatory and compliance matters. In January 2017, Mr. Donnellan was engaged by us as an independent compliance consultant on a part-time basis and subsequently joined our Group as chief compliance officer in July 2017. He has over 44 years of experience in the financial services profession. Prior to joining our Group, In September 1982, Mr. Donnellan joined Shatkin Trading Co. where he served in various capacities including being a director and vice president of its Chicago Mercantile Exchange office. Shatkin Trading Co. was acquired by LIT America, Inc and Mr. Donnellan was appointed as the senior vice president and general counsel from December 1987 to February 1990. In February 1990, Mr. Donnellan joined Sanwa Futures LLC, a global futures broker, as senior vice president and was appointed as president in March 1991. He also served as executive vice president of its parent company, Sanwa Securities (USA) Co., L.P., a primary dealer in government securities. From April 1998 to July 1999, Mr. Donnellan was the president of Rock Island Company of Chicago, Illinois, a holding company of two broker-dealer operating companies. From April 2000 to July 2002, Mr. Donnellan was a principal and management consultant at Spectrum Synergetic Systems LLC. Mr. Donnellan joined TJM Brokerage, Inc, a broker dealer, and in March 2004, he co-founded the affiliate of TJM Brokerage, Three Zero Three Capital Partners LLC, as the managing principal. From June 2012 to March 2014, Mr. Donnellan was a senior vice president and chief compliance officer of ADM Investor Services, Inc, a futures clearing broker. From April 2014 to June 2017, Mr. Donnellan was a managing director and chief compliance officer at Mocho Trading LLC, a proprietary trading firm.

Mr. Donnellan obtained a degree of bachelor of Arts in Liberal Arts and Sciences from the University of Illinois in May 1975 and a juris doctor degree from the John Marshall Law School in the United States in January 1982. Mr. Donnellan was admitted as a lawyer by the Supreme Court of Illinois in May 1982 and is authorized to practice law in Illinois, the USA.

Ms. Kit Man WONG (alias: Doris Wong), aged 38, is the chief financial officer of our Group primarily responsible for the overall financial management of our Group, both in Hong Kong and overseas. Ms. Wong has over 16 years of experience in financial and accounting. From April 2003 to October 2003, Ms. Wong was an accounts clerk at International Credit Management Consultancy Limited, where she was mainly responsible for accounting and administration duty for business needs. From December 2003 to September 2011, Ms. Wong worked in Primasia Corporate Services Limited where she served as an accountant.

Ms. Wong joined our Group since September 2011 as an accountant and was later promoted to finance manager and subsequently chief financial officer. Ms. Wong obtained a bachelor's degree in Business from the University of Technology, Sydney in October 2003. Ms. Wong was admitted as a member of Association of Chartered Certified Accountants in March 2013.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Ms. Yuet Chew Grace SIOW, aged 53, is the company secretary of the Company responsible for the corporate secretarial functions of our Group. Ms. Siow has been an associate member of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Company Secretaries since 9 May 1994 and 1 August 1994, respectively. Ms. Siow was also awarded the Chartered Governance Professional qualification of the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries on 30 September 2018.

Ms. Siow also holds a Master of Business Administration from the University of Stirling in the United Kingdom. She is currently the director of corporate services of Tricor-Alpha Corporate Secretarial Services Limited, a member of Tricor Group.

CORPORATE GOVERNANCE

Save as disclosed below, our Company intends to comply with all the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules after the Listing. Our Directors will review our corporate governance policies and compliance with the CG Code each financial year and comply with the “comply or explain” principle in our corporate governance report, which will be included in our annual reports subsequent to the Listing.

Under code provision A.2.1 of the CG Code, the roles of the chairman and chief executive officer should be separated and should not be performed by the same individual. Mr. Van Put currently holds both positions within our Group. Mr. Van Put has been the key leadership figure of our Group who has been primarily involved in the strategic development and determination of the overall direction of our Group. He has also been directly supervising our senior management. Taking into account of the above, our Directors consider that the vesting of the roles of chairman and chief executive officer in Mr. Van Put will provide a strong leadership to our Group and is beneficial and in the interests of our Company and our Shareholders as a whole. To ensure check and balance of power and authority on the Board, individuals with a broad range of expertise and experience are on the Board as independent non-executive Directors to offer independent and differing advice and monitor the operations of the Board, including corporate governance aspects of functioning of the Board.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEE

Audit Committee

Our Company has established the Audit Committee pursuant to a resolution of our Directors passed on 22 September 2020 in compliance with Rule 5.28 and 5.29 of the GEM Listing Rules and with written terms of reference in compliance with the Corporate Governance Code and the Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of our Audit Committee include (i) making recommendations to the Board on the appointment and removal of external auditors; (ii) reviewing and supervising the financial statements and material advice in respect of financial reporting; (iii) overseeing internal control procedures and corporate governance of our Company; (iv) supervising internal control systems of our Group; and (v) monitoring continuing connected transactions (if any).

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Jeronimus Mattheus TIELMAN, Ms. Wan Ting PAI and Mr. Ming Tak NGAI. Ms. Wan Ting PAI is the chairwoman of the Audit Committee.

Remuneration Committee

The Company has established a Remuneration Committee pursuant to a resolution of our Directors passed on 22 September 2020 in compliance with Rule 5.34 of the GEM Listing Rules and with written terms of reference in compliance with the Code on Corporate Code and Corporate Governance Report as set out in Appendix 15 to the Gem Listing Rules. The primary duties of the Remuneration Committee include (i) reviewing and making recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) reviewing other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and (iii) reviewing performance based remunerations and establishing a formal and transparent procedure for developing policy in relation to remuneration.

The Remuneration Committee currently consists of five members, namely Mr. Ralph Paul Johan VAN PUT, Mr. Godefriedus Jelte HEIJBOER, Mr. Jeronimus Mattheus TIELMAN, Ms. Wan Ting PAI and Mr. Ming Tak NGAI. Ms. Wan Ting PAI is the chairwoman of the Remuneration Committee.

Nomination Committee

We have established a Nomination Committee pursuant to a resolution of our Directors passed on 22 September 2020 with written terms of reference in compliance with 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 (i) review the structure, size and composition of the Board annually; (ii) identify individuals suitably qualified to become Board members; (iii) assess the independence of the independent non-executive Directors; (iv) make recommendations to the Board on relevant matters relating to appointment or re-appointment of Directors and succession planning for the Directors; and (v) make recommendations to our Board regarding the candidates to fill vacancies on our Board.

DIRECTORS AND SENIOR MANAGEMENT

The Nomination Committee currently consists of five members, namely Mr. Ralph Paul Johan VAN PUT, Mr. Godefriedus Jelte HEIJBOER, Mr. Jeronimus Mattheus TIELMAN, Ms. Wan Ting PAI and Mr. Ming Tak NGAI. Ms. Wan Ting PAI is the chairwoman of the Nomination Committee.

COMPLIANCE OFFICER

We have appointed Mr. Roy VAN BAKEL as our compliance officer of our Company pursuant to Rule 5.19 of the GEM Listing Rules. Please see “Executive Directors” above in this section for further information about Mr. Roy VAN BAKEL.

COMPLIANCE ADVISER

The Company have appointed Alliance Capital Partners Limited as our compliance adviser in accordance with Rule 6A.19 of the GEM Listing Rules from the Listing Date. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will provide advice to us when consulted by us the circumstances such as (i) before the publication of any regulatory announcement, circular or financial report; (ii) if a transaction, which might be a notifiable or connected transaction is contemplated, including share issues and share repurchases; (iii) if we propose to use the net proceeds of the Share Offer in a manner different from that detailed in this prospectus or when our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and (iv) if the Stock Exchange makes inquiry to us regarding unusual movements in the price or trading volume of the Shares pursuant to Rule 17.11 GEM Listing Rules.

The term of the appointment shall commence on the Listing Date and end on the date of which the Group complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year after the Listing Date, and such appointment is subject to extension by mutual agreement.

BOARD DIVERSITY POLICY

Our Company has adopted a board diversity policy which sets out the approach by which our Board could achieve a higher level of diversity. When considering the nomination and appointment of a director, with the assistance of the nomination committee, our Board would consider a number of factors, including but limited to the skills, knowledge, qualifications and educational background, professional experience, cultural background, age, and gender. All the appointment of our Board members will be based on meritocracy having due regard to the benefits of diversity on our Board.

Our Board currently has one female Director. We will take opportunity to increase the proportion of female members over time when selecting and making recommendation on suitable candidates for Board appointments. Our Board would ensure that appropriate balance of gender diversity is achieved with reference to stakeholders’ expectation and international and local recommended best practices, with the ultimate goal of bringing our Board to gender parity.

Our nomination committee will review and monitor the implementation of the board diversity policy, to ensure the effectiveness of the board diversity policy and discuss any revisions that may be required and recommend any such revisions to our Board for consideration and approval.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION POLICY AND COMPENSATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, benefits in kind and/or discretionary bonuses related to their performance. We regularly review and determine the remuneration and compensation package of our Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of our Directors and our performance.

During each of the financial year ended 31 December 2018 and 31 December 2019, the aggregate of the remuneration paid and benefits in kind granted to (i) the Directors by any member of the Company were approximately HK\$19,739,000 and HK\$13,088,000, respectively; and (ii) our senior management was approximately HK\$6,949,000 and HK\$7,532,000 respectively.

Our staff costs, including salaries, allowance and other benefits, amounted to approximately HK\$33,394,000 and HK\$29,857,000 for the financial year ended 31 December 2018 and 31 December 2019 respectively.

For each of the financial year ended 31 December 2018 and 31 December 2019 the aggregate remuneration including basic salaries, other benefits and contribution to retirement scheme, paid to the five highest paid individuals (including our Directors) by our Group was approximately HK\$22,470,000 and HK\$15,531,000, respectively.

Saved as disclosed in this prospectus, no other emoluments have been paid, or are payable, by us to our Directors and the five highest paid individuals in respect of each of the financial year ended 31 December 2018 and 31 December 2019.

Save as disclosed above, no other remunerations have been made or are payable by the Group to the Directors in respect of the Track Record Period. The Directors estimate that under the current proposed arrangement, the aggregate basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by the Company to the Directors for the year ending 31 December 2020 will be approximately HK\$13,018,000.

Our Remuneration Committee will review annually the remuneration of all our Directors and senior management with a view to ensure that it is sufficiently attractive to retain a competent team of executive members.

STAFF AND STAFF RELATIONS

The Group believes that the employee relations are satisfactory in general. The Group believes that the management policies, working environment, career prospects and benefits extended to the employees have contributed to employee retention and building of amicable employee relations.

SHARE CAPITAL

SHARE CAPITAL

The share capital of our Company immediately following the completion of the Capitalisation Issue and Share Offer is set out in the table below. The table assumes that the Capitalisation Issue and Share Offer will become unconditional and does not take into account any Shares which may be allotted and 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 Pre-IPO Share Option Scheme and the Share Option Scheme, or any Shares which may be allotted and issued or repurchased by our Company under the general mandates granted to our Directors to allot and issue or repurchase Shares as described below or otherwise.

		Nominal value (HK\$)
<i>Authorised share capital:</i>		
10,000,000,000	Shares of HK\$0.01 each	100,000,000
<i>Shares issued and to be issued, fully paid or credited as fully paid:</i>		
218,220	Shares in issue as of the date of this prospectus	2,182.20
299,781,780	Shares to be issued pursuant to the Capitalisation Issue	2,997,817.80
<u>100,000,000</u>	Shares to be issued pursuant to the Share Offer	<u>1,000,000.00</u>
<u>400,000,000</u>	Total	<u>4,000,000.00</u>

Assuming the Offer Size Adjustment Option is exercised in full, the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Share Offer will be increased from HK\$4,000,000.00 divided into 400,000,000 Shares to HK\$4,150,000.00 divided into 415,000,000 Shares.

MINIMUM PUBLIC FLOAT

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 the public (as defined in the GEM Listing Rules).

RANKING

The Offer Shares are ordinary shares and will rank *pari passu* in all respects with all the Shares now in issue or to be allotted and issued as described in this prospectus and 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 Listing Date (except for any entitlements under the Capitalisation Issue).

SHARE CAPITAL

PRE-IPO AND SHARE OPTION SCHEME

Our Company has conditionally adopted the Pre-IPO Share Option Scheme pursuant to the resolutions in writing of all the Shareholders passed on 13 February 2020. Our Company has also conditionally adopted the Share Option Scheme which shall become effective upon Listing. The major terms of the Pre-IPO Share Option Scheme and the Share Option Scheme are set out in the section headed “D. Pre-IPO Share Option Scheme” and “E. Share Option Scheme” in Appendix IV to this prospectus.

CAPITALISATION ISSUE

Pursuant to the resolutions in writing of all the Shareholders passed on 22 September 2020, subject to the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Share Offer, our Directors are authorised to allot and issue a total of 299,781,780 Shares credited as fully paid to the holders of Shares whose names appear on the register of members of our Company as at the close of business on 10 September 2020 (or as they may direct) in proportion to their respective 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\$2,997,817.80 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 rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ALLOT AND ISSUE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions as set out in the section headed “Structure of the Share Offer – Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional 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 Shares 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 or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (i) 20% of the number of Shares in issue immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company 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 Pre-IPO Share Option Scheme and the Share Option Scheme); and
- (ii) the number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors as referred to in the paragraph headed “General mandate to repurchase Shares” below.

SHARE CAPITAL

This general mandate does not apply to situations where our Directors allot, issue or deal with Shares by way of rights issue, script dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of whole or part of a dividend in accordance with the Articles or pursuant to the grant of options under the Pre-IPO Share Option Scheme and the Share Option Scheme or any other share option scheme that may be adopted by our Company from time to time or other similar arrangements or pursuant to the Share Offer (including exercise of the Offer Size Adjustment Option), or pursuant to the exercise of any subscription or conversion rights attaching to any warrants or any securities which are convertible into Shares or in issue prior to the date of the passing of the relevant resolution.

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

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) 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
- (iii) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about our Company and our subsidiaries – 3. Written resolutions of all Shareholders passed on 22 September 2020” 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 of the Share Offer – Conditions of the Share Offer” of this document, our Directors have been granted a repurchase mandate, which is a general mandate to exercise all the powers of our Company to repurchase Shares of not more than 10% of the number of Shares in issue immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued by our Company 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 Pre-IPO Share Option Scheme and the Share Option Scheme).

This general mandate to repurchase shares only relates to repurchases made on the Main Board, 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), which are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this document is set out in the section headed “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

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

- (i) the conclusion of next annual general meeting of the Company;
- (ii) the expiration of the period within which our Company is required by the Companies Law or the Articles or any other applicable laws to hold its next annual general meeting; or
- (iii) at the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate to repurchase shares, please refer to the section headed “A. Further information about our Company and our subsidiaries – 3. Written resolutions of all Shareholders passed on 22 September 2020” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

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

As a matter of the Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. 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 provided under 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 Appendix III to this prospectus.

SUBSTANTIAL SHAREHOLDERS

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, any options granted under the Pre-IPO Share Option Scheme or options that may be granted under the Share Option Scheme), the following persons will have an interest or short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or would be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

INTERESTS IN THE COMPANY

Name of Shareholder	Capacity/ Nature of Interest	As at the Latest Practicable Date of this prospectus		Immediately upon the completion of the Share Offer	
		Number of underlying Shares held	Approximate percentage of shareholding	Number of underlying Shares held <i>(Note 1)</i>	Approximate percentage of shareholding <i>(Note 2)</i>
Godefriedus Jelte Heijboer	Beneficial owner	40,449	18.53%	55,607,644	13.90%
Wong Rosa Maria <i>(Note 3)</i>	Interest of spouse	40,449	18.53%	55,607,644	13.90%
True Partner Participation Limited <i>(Note 4)</i>	Beneficial owner	40,427	18.52%	55,577,399	13.89%
Ralph Paul Johan Van Put <i>(Note 4)</i>	Interest in a controlled corporation	40,427	18.52%	55,577,399	13.89%
Kung Yun Ching <i>(Note 5)</i>	Interest of spouse	40,427	18.52%	55,577,399	13.89%
Tobias Benjamin Hekster	Beneficial owner	40,450	18.54%	55,609,018	13.91%
Franca Kurpershoek- Hekster <i>(Note 6)</i>	Interest of spouse	40,450	18.54%	55,609,018	13.91%
True Partner International Limited <i>(Note 7)</i>	Beneficial owner	32,594	14.94%	44,808,908	11.20%
Chan Heng Fai Ambrose <i>(Note 7)</i>	Interest in a controlled corporation	32,594	14.94%	44,808,908	11.20%
Chan Kong Yoke Keow <i>(Note 8)</i>	Interest of spouse	32,594	14.94%	44,808,908	11.20%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 400,000,000 Shares in issue 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, any options granted or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme).
- (3) Ms. Wong Rosa Maria is the spouse of Mr. Heijboer. By virtue of the SFO, Ms. Wong Rosa Maria is deemed to be interested in the same number of Shares in which Mr. Heijboer is deemed to be interested in under the SFO.
- (4) True Partner Participation Limited is wholly owned and controlled by Mr. Van Put. True Partner Participation Limited holds 13.89% in True Partner Capital Holding Limited. Accordingly, Mr. Van Put is deemed to be interested in the Shares held by True Partner Participation Limited.
- (5) Ms. Kung Yun Ching was married to Mr. Van Put in January 2020. By virtue of the SFO, Ms. Kung Yun Ching is deemed to be interested in the same number of Shares in which Mr. Van Put is deemed to be interested in under the SFO.
- (6) Mrs. Franca Kurpershoek-Hekster is the spouse of Mr. Hekster. By virtue of the SFO, Mrs. Franca Kurpershoek-Hekster is deemed to be interested in the same number of Shares in which Mr. Hekster is deemed to be interested in under the SFO.
- (7) True Partner International Limited is wholly owned and controlled by Mr. Chan. True Partner International Limited holds 11.20% in True Partner Capital Holding Limited. Accordingly, Mr. Chan is deemed to be interested in the Shares held by True Partner International Limited.
- (8) Mrs. Chan Kong Yoke Keow is the spouse of Mr. Chan. By virtue of the SFO, Mrs. Chan Kong Yoke Keow is deemed to be interested in the same number of Shares in which Mr. Chan is deemed to be interested in under the SFO.

Save as disclosed above, our Directors are not aware of any person who will, 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, any options granted or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), have an interest or short position in any Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and are regarded as substantial Shareholders under the GEM Listing Rules.

INDEPENDENCE FROM OUR SUBSTANTIAL SHAREHOLDERS

Our Substantial Shareholders, under the GEM Listing Rules, are Mr. Heijboer, True Partner Participation Limited, Mr. Van Put, Mr. Hekster, True Partner International Limited and Mr. Chan. Mr. Van Put is considered to be a Substantial Shareholder as he is the sole shareholder of True Partner Participation Limited. Mr. Chan is considered to be a Substantial Shareholder as he is the sole shareholder of True Partner International Limited. We consider Mr. Heijboer, True Partner Participation Limited, Mr. Van Put, Mr. Hekster, True Partner International Limited and Mr. Chan to be our key Shareholders (the “**Key Shareholders**”). Each of True Partner Participation Limited and True Partner International Limited is an investment holding company and does not have any business operation.

SUBSTANTIAL SHAREHOLDERS

Having considered the following factors, we believe that our Group is capable of carrying on its business independently of our Key Shareholders and their respective close associates upon completion of the Share Offer:

Management Independence

Our Board comprises four executive Directors and three independent non-executive Directors. Out of the Key Shareholders, Mr. Van Put is our executive Director and chairman of the Board. Mr. Heijboer and Mr. Hekster are our executive Directors.

Save as disclosed above, no other Key Shareholders hold any directorship in our Company. Our Directors consider that we have management independence from the Key Shareholders and their respective close associates due to the following reasons:

- (i) each of our Directors, including Mr. Heijboer, Mr. Van Put and Mr. Hekster who are our Key Shareholders, is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (ii) our Board consists of three independent non-executive Directors. This represents more than one-third of the members of the Board and there will be a sufficiently robust and independent voice within our Board to counter-balance any situation involving conflict of interest and protect the interests of our independent Shareholders;
- (iii) the management, operation and affairs of our Group are headed, managed and supervised by our Board as a whole and not by any individual Directors. According to the Articles, our Board must act collectively by a majority decision, and no individual Director is allowed to transact or make any decision for an on behalf of the Company alone unless he/she is authorized by our Board or in accordance with the provisions of the Articles. Any view of a Director will be checked and balanced by the view of other Board members;
- (iv) in the event that there is a potential conflict arising out of any transaction to be entered into between our Group and our Directors or their respective close associates (“**Conflicting Transaction**”), the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum, unless otherwise permitted under the Articles and/or the GEM Listing Rules. The interested Director(s) shall not attend any independent board committee meetings comprising our independent non-executive Directors only. In the event that there is a Conflicting Transaction which shall be submitted to our independent non-executive Directors for their consideration and approval, they would have sufficient experience and knowledge to oversee such Conflicting Transaction from different aspects;
- (v) our Company has established an internal control mechanism to identify related party transactions and/or connected transactions that are subject to the requirements under the GEM Listing Rules, including the requirements of reporting, announcement, circular and independent Shareholders’ approval (where appropriate);

SUBSTANTIAL SHAREHOLDERS

- (vi) in order to allow the non-conflicting members of the Board to function properly and make informed decision with the necessary professional advice, our Company will engage third party professional advisor(s) to advise the Board when necessary, depending on the nature and significance of the Conflicting Transaction;
- (vii) the Key Shareholders have undertaken to provide all information requested by our Group which is necessary for the annual review by the independent non-executive Directors; and
- (viii) the Company has established corporate governance procedures in safeguarding the interests of our Shareholders and enhancing Shareholders' value. Please refer to the paragraph headed "Corporate Governance Measures" in this section below for further details.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Key Shareholders upon Listing.

Operational Independence

We make business decisions independently. On the basis of the following reasons, our Directors consider that we will continue to be operationally independent from our Key Shareholders and their respective close associates after Listing:

- (i) we hold all relevant licenses, permits and approvals that are material to the operation of our business and have sufficient capital, equipment and employees to operate our business independently;
- (ii) we have our own operational and administrative resources and we do not share such resources with our Key Shareholders or other companies controlled by our Key Shareholders;
- (iii) we have our own organizational and corporate governance structure and has established our own accounting, legal and human resources departments;
- (iv) we have established a set of internal control measures to facilitate the effective operation of our business;
- (v) we have independent access to the Funds and managed accounts we manage;
- (vi) there is no competing business between our Group and our Key Shareholders; and
- (vii) there is no connected transaction between our Key Shareholders or their close associates and any member of our Group.

On the basis of the matters described in this section, we believe that we are capable of carrying on our business independently of the Key Shareholders and their close associates. Our Group, the Key Shareholders and their close associates do not have any common, nor shared, facilities or resources during the Track Record Period and up to the Latest Practicable Date.

SUBSTANTIAL SHAREHOLDERS

Financial Independence

Our Board believe that we are able to operate financially independently from our Key Shareholders and their close associates as:

- (i) we have an independent financial system and we make financial decisions independently according to our Group's own business and operation needs;
- (ii) we have sufficient capital to operate our business independently, and have adequate internal resources and credit profile to support our daily operations;
- (iii) during the Track Record Period and as at the Latest Practicable Date, no loans and guarantees have been provided to the Group by the Key Shareholders;
- (iv) we have independent access to third party financing on market terms and conditions for our business operations as and when required; and
- (v) we have independent bank accounts and do not share any of our bank accounts, loan facilities or credit facilities with the Key Shareholders or their close associates.

Our Directors confirm that upon Listing, our Group do not intend to obtain any borrowing or guarantee from any of the Key Shareholders. Therefore, our Group has no financial dependence on any of the Key Shareholders.

CORPORATE GOVERNANCE MEASURES

Our Company expects to comply with the Corporate Governance Code which sets out the principles of good corporate governance in aspects such as directors' responsibilities and their appointment, re-selection and removal, board composition, remuneration of directors and senior management, accountability and audit, and communication with shareholders. Our Company will state in our interim and annual reports whether we have complied with such code provisions, and will provide details of, and reasons for, any deviation from it in the corporate governance reports attached to our annual reports.

In addition, our Company has appointed Alliance Capital Partners Limited as the compliance adviser which shall provide our Company with professional advice and guidance in respect of compliance with the GEM Listing Rules to manage the conflict of interests arising from the competing business and to safeguard the interests of our Shareholders:

Based on the above, our Board is satisfied that there are sufficient and effective preventive measures to manage conflicts of interest and our Board is able to operate independently of our Key Shareholders.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Our business objective is to become a prominent fund manager in the volatility strategy space and to further grow our AUM to enhance our profitability.

Over the past nine years our AUM has grown significantly, and more recently from approximately US\$635 million as at 31 December 2018 to approximately US\$1.579 billion as at 31 August 2020 (being the latest practicable date of this information prior to publication of this prospectus). Our continued expansion as a fund manager and ability to attract additional investments to grow our AUM depends primarily on the performance of our funds and managed accounts. Our fund performance is materially reliant on our ability to execute our trading strategy which may be enhanced through, *inter alia*, the hiring of additional trading/portfolio management personnel (to further assist in identifying and realising additional market opportunities and to reduce reliance on a small number of portfolio managers), enhanced technology infrastructure (such as through increasing redundancies, development of automated trading features, and adoption of artificial intelligence and machine learning to further enhance our analytical and execution capabilities), and a new trading office in Amsterdam with necessary regulatory licences for conducting investment and trading (to increase our capabilities and redundancies across the European time zone so as to enable our systems to be more resilient and fail-safe against service interruptions in any one particular location and for enhancing our seamless trading on a 24/5 basis).

In addition to the performance of our funds and managed accounts, our ability to attract additional investments depends on a combination of other factors, including (i) our sales and marketing capabilities, which could be enhanced through the internalisation and intensification of sales and marketing activities as well as the opening of an office in London with a view to source more prospective investors (as London is an international financial centre that is a key location from a marketing perspective, would enable our Group to reach the widest range of potential investors, and is a location where certain key investors are based and/or have been sourced through); (ii) enhanced cybersecurity (the security of our IT systems could be increased through, without limitation, modernising our network equipment including installing next generation firewalls for improved protection against threats and support for and integration of virus and malware threat detection), which has increasingly become a focus of investors and asset allocators in their operational due diligence (given that the number of cybersecurity incidents (such as ransomware and malware) has significantly increased over the past few years, and the significant amount of investor assets that are managed by funds/financial institutions); and (iii) our own investments into our own funds so as to demonstrate alignment of interests with investors and increase their confidence in our funds and managed accounts. With our business objectives to continue to mature and become a prominent investment manager in the volatility strategy space, it is therefore necessary for us to open new offices and hire additional staff to manage our AUM growth and launch of new products (and the corresponding increase in number of investors from an administrative and investor relations perspective) as well as to enhance our trade execution and operational capability and security. Accordingly, our net proceeds from the Share Offer (“**Net Proceeds**”) have been allocated for such purposes as further elaborated on in this section of the prospectus.

In recent years, the use of options strategies in fund management (including volatility strategies for protection and hedging of portfolios) has continued to grow. The potential use of our trading strategies as a strong diversifier as part of the portfolio of larger funds has led to increased investments from professional of financial institutions. We intend to capitalise on opportunities presented to us by:

FUTURE PLANS AND USE OF PROCEEDS

- (i) enhancing our corporate profile and brand image as well as our transparency, accountability and corporate governance through the Listing (which is expected to enhance the marketability of our funds) as well as increasing our direct marketing efforts and direct engagement with prospective investors;
- (ii) diversifying our service offerings through (a) the launch of new investment products (involving different asset classes and/or which may be more geographically-focused) which adopt similar volatility trading strategies; and (b) establishment of new managed accounts for prospective investors which are more tailored and calibrated towards their needs;
- (iii) enhancing our global presence across different geographic locations where our existing and prospective investors are based to support the continued increase in our AUM and new investment mandates in respect of managed accounts; and
- (iv) enhancing our technology infrastructure including, without limitation, increasing redundancies, developing of automated features to support our trading activities, and adopting artificial intelligence and machine learning to enhance quantitative research to support trading decision-making processes. We consider these to be particularly important to our execution capability as it would have direct implications on the performance of our funds and managed accounts under management as well as our quality of services.

REASONS FOR THE LISTING AND THE SHARE OFFER

Our Directors believe the Listing will (a) enhance our corporate profile and brand image; (b) strengthen our competitiveness and market position; (c) enhance our corporate governance, disclosure standards and internal controls as well as the financial and operational transparency of our business, and hence increase the confidence and trust of our existing and potential investors in our funds and managed accounts as well as enhance their marketability to prospective investors; (d) enable our Group to gain direct access to capital markets for the financing of our operations, future expansion and business development; (e) allow our Group to attract and retain experienced and qualified employees, including through the offering of incentives under our Share Option Scheme; and (f) enhance our credibility so that we can obtain more credit facilities on favourable terms with authorised institutions for our business operations.

Further, our Directors believe that the Net Proceeds will provide us with additional capital which will facilitate us achieve our business strategies and objectives.

Our business strategies and how we intend to achieve our business objectives

One of the key reasons for the Listing is to enhance the global presence and visibility of our Group as a key and prominent player who is specialised in global volatility relative value trading strategies. The Listing is expected to enhance the transparency and accountability of our Group, which is expected to enhance the marketability of our funds as well as our ability to attract prospective investors. Through the use of the Net Proceeds, our Group further intends to expand our geographic footprint in Europe and to hire sufficient staff to manage the expansion of our operations (to support the growth in our AUM and diversify our service offerings) as well as establish of a further licensed entity in the Netherlands to increase our Group's redundancies and capabilities to operate seamlessly on a 24/5 basis (including the

FUTURE PLANS AND USE OF PROCEEDS

ability to effectively respond to investor enquiries over different time zones). We also intend to enhance our IT and execution capabilities by, without limitation, increasing redundancies and improving our quantitative research and analytical capabilities. Further details are as follows:

(a) focusing on diversifying our service offering through the launch of new investment products

We intend to focus on growing our AUM in the forthcoming years, and therefore intend to focus and direct resources to managing and marketing our funds and managed accounts. Further to continuing to market our existing flagship funds, we intend to diversify our service offering and revenue stream by:

- (i) launching new funds which adopt similar volatility trading strategies as currently adopted in relation to existing funds and managed accounts

We constantly engage in investor relations with existing and prospective investors (including partners of co-branded funds, collective investment undertakings and family offices, etc.) and participate in industry conferences to understand and gauge their investment appetite, needs and preferences, and we would seek to launch products where there is perceived demand based on requirements of these investors (for asset protection, risk diversification or other purposes). Based on investor interest received to date, we have been analysing the viability of different fund projects for launch, with the following being the more likely in the near future as prospective investors (including our European investors or those investors who have investment exposure in Asia equity markets) have, in the course of our investor relations, expressed interest in potential investments in these funds:

- (a) long-biased UCITS fund: to be launched ourselves on a stand-alone basis or with a UCITS partner, this fund shall adopt a global relative value volatility strategy but with a long volatility bias (similar to the True Partner Volatility Fund) with a view to target predominantly European investors who (I) are restricted to or have a preference for investing in UCITS funds; and/or (II) are more specifically looking for negatively correlated to equity markets downside protective strategies. For details on negative correlation and downside protective strategy, please refer to the section headed “Business – Performance of Funds – Why we performed better when MSCI was down than when it was up” in this prospectus. It is intended that this fund will be structured the same way as our existing IAM True Partner Volatility UCITS Fund with an Irish vehicle (potentially through our Amsterdam office, assuming it has obtained an investment firm license from AFM at the relevant time; or with a partner) and with the same service providers (such as administrators and prime brokers). Our HK Sub-Manager and U.S. Sub-Manager will share portfolio management responsibilities as currently (in addition to our Amsterdam office once the AFM license is granted). The launch size is expected to be US\$50–100 million, with growth expected to reach US\$200 million in the subsequent 12 months from launch.

FUTURE PLANS AND USE OF PROCEEDS

According to the Industry Expert, there are currently fewer UCITS hedge fund products (which are made accessible to retail investors through appropriate channels) available than offshore products (such as Cayman Islands funds, which are typically less transparent, less regulated and limited to professional investors) for various reasons (including, without limitation, more stringent regulatory requirements applicable to UCITS funds, which can make it difficult for some strategies to operate in the UCITS format). As such, for a manager whose strategy works well in UCITS format (such as the Group, with its first co-branded UCITS fund, the IAM True Partner Volatility UCITS Fund, evidencing strong AUM growth since its inception), this can represent an opportunity, as there is less competition in some sectors, particularly in relative value and macro strategies. Therefore, the launching of UCITS funds enable us to access a large pool of UCITS focused hedge fund investors, primarily in Europe but with potentially some demand from other regions such as Asia. In particular, the launching of a UCITS version of the True Partner Volatility Fund (with an explicit long volatility bias) may be attractive to some investors who have invested in existing explicitly long-biased UCITS volatility hedge fund products.

- (b) China-oriented fund (with derivatives overlay strategy): this fund shall involve principally the trading of “Greater China” equities and equity indices and listed derivatives of these equity indices (i.e. instruments listed in Hong Kong and Taiwan, and ETFs and futures on Mainland Chinese indices that are listed outside of Mainland China) that aims seek returns whilst reducing negative impact when the Greater China equity markets decline. The targeted investor base would be professional investors located globally who have a positive outlook on Greater China markets, but are looking for some form of protection to mitigate losses should the overall market circumstances be negative. It is intended that this fund would be structured as a Cayman Islands vehicle with similar service providers as the True Partner Fund, or as a UCITS fund (similar to the first fund discussed above). Our HK Sub-Manager and U.S. Sub-Manager will share portfolio management responsibilities as currently (in addition to our Amsterdam office once the AFM license is granted). The launch size is expected to be US\$50–100 million, with growth expected to reach US\$200 million in the subsequent 12 months from launch, although this could be larger depending on circumstances.

According to the Industry Expert, Chinese equities are an increasing weight in broad equity indices such as the MSCI World Index (5%) and a large weight in the MSCI Emerging Markets Index (39%). However, relative to China’s contribution to current global economic output (approximately 20%) and recent and expected future economic growth (approximately 35%), China holds a relatively small weight in these indices, and by extension the portfolios of many investors who use such benchmarks as reference points. Assuming China continues to grow at a faster pace than the developed world, in line with the forecasts of the International Monetary Fund (IMF), China’s increasing share of the global economy and major indices suggest that over time it may play a larger role in the portfolios of investors seeking global equity exposure, as well as those seeking specific exposure to emerging markets growth. Chinese equities have significant retail investor

FUTURE PLANS AND USE OF PROCEEDS

participation and less research coverage than some large developed markets. They have also historically experienced relatively high volatility. As a result, some investors perceive there to be attractive investment opportunities relative to some larger developed markets. Chinese equities have sometimes experienced rallies and drawdowns that are somewhat idiosyncratic in nature, for example the Hang Seng China Enterprises Total Return Index was down -16.9% in 2015 when the MSCI World Total Return USD was up +2.0%, and this may present opportunities for prospective investors.

We intend to use a similar fee structure for the new funds as we currently apply to our existing funds. In particular, we plan to charge (i) management fees, calculated as a percentage of NAV of shares of the relevant fund; and/or (ii) performance fees, calculated based on the absolute performance of the relevant fund, generally calculated on a high watermark basis by reference to the NAV of the relevant fund at a particular time. We also plan to apply our current fee policies as further elaborated on in the section headed “Business – Investment Management – Seed and early investor capital” in this prospectus (including potentially in respect of rebates as well as different/preferential fee arrangements for seed and early investors and more significant investors), with fees being in line with industry standards.

In the longer-term, we may consider the launch of funds with different asset classes (including commodities and currency volatility funds and tail risk funds) using a similar trading strategy as that adopted for existing funds. It is expected that preparatory steps (including, without limitation, preparation of offering documentation and setting up of fund entities) would commence in early 2021, and it is expected that relevant funds may be launched within three to six months from the commencement of preparations (i.e. launched in the second half of 2021).

It should be emphasised that, while we have specific strategies, target investor base and organisational setup for the fund projects, these funds do not currently exist and the launch of the relevant funds may be subject to unforeseeable factors outside our control.

(ii) establishing new managed accounts for prospective investors

These new managed accounts would adopt a similar volatility trading strategy as our existing funds but will be more tailored and calibrated towards meeting the requirements and overall strategies of prospective investors. For example, these managed accounts may have slight long or short volatility bias, slightly different fee structure, or possible leveraging to increase exposure to our trading strategy. Due to costs and overheads involved, these accounts will generally be established for prospective investors willing to invest a significant amount of capital (generally in excess of US\$100 million), and as such, we cannot anticipate the number, or timing of, establishing such managed accounts. These managed accounts will be structured similarly to existing managed accounts.

(iii) establishing structured managed accounts which will be comparatively more static in nature

FUTURE PLANS AND USE OF PROCEEDS

Such structured managed accounts will not employ active trading, but rather provide option overlay strategies through lower frequency trading (i.e. we will carry out significantly fewer trades per week for these accounts). Option overlay strategies are strategies involving the buying and selling of options as an overlay to an existing portfolio. Options overlays can be defensive, to reduce risk, or more commonly a source of additional yield. The attraction is the potential to generate more attractive risk/return profiles than a standalone equity index investment. Options are attractive instruments for tailoring the risk/reward of portfolios because they allow investors to express specific views and to take advantage of the volatility risk premium. Such option overlay strategies may be attractive to private banks, institutional investors and family offices in Europe and elsewhere. Investors in most developed markets generally face a common challenge that clients' portfolio objectives often guide them towards yield generating products, but the traditional methods of achieving this (i.e. buying government and corporate bonds) generally offer very low yields. The option overlay strategy itself can be executed and managed separately from the overall portfolio by an external fund manager such as our Group on behalf of an (institutional) client who would like to have this overlay added as part of the overall portfolio to improve its overall risk/reward profile and does not have the resources or know-how to efficiently execute and manage such strategy.

Our structured managed accounts will be structured specifically for each investor to suit their individual risk profiles/tolerance levels and their other specific requirements. For such accounts, we intend to charge primarily management fees, calculated as a percentage of NAV of the relevant account, and are thus expected to provide us with continuous inflow of fees during periods when volatility is relatively low. Such structured managed accounts will initially be targeted towards predominantly European institutional investors willing to make a meaningful amount of investments (generally in excess of US\$100 million), and as such, we cannot anticipate the number, or timing of, establishing such managed accounts. Mr. Robert Kavanagh, our head of investment solutions (a former executive director at Goldman Sachs Assets Management) would be responsible for spearheading our sales and marketing efforts in sourcing institutional investors for such product. The lead time for establishing structured managed accounts tends to be shorter than that required for the launching of new funds.

The launch of the above investment products will be supported by trading, I.T., operational as well as sales and investor relations personnel, some of whom will be hired as part of our implementation plan (as described further below).

Due to the cohesive nature of our offices in conducting our fund management business, our offices will generally share responsibilities in connection with the launch and operation of these new investment products.

From the perspective of sales and marketing, the (i) the sales and marketing of our long-biased UCITS fund would be principally carried out over our London and Amsterdam offices (given the fund targets predominantly European investors); (ii) the sales and marketing of our the structured

FUTURE PLANS AND USE OF PROCEEDS

managed accounts, would be principally spearheaded by Mr. Robert Kavanagh from our London office; and (iii) sales and marketing for other funds and products will be carried out in our offices based on perceived interest from investors.

From the perspective of trade execution in respect of these new investment products, as we generally conduct trading under a global book as a team, which is passed from one trading office to another trading office so as to ensure continuous real-time monitoring of positions and risk exposures during trading hours across global markets in different time zones, the trade execution of our trading strategy in respect of new investment products would be carried out across our global offices with trading licences (including the Netherlands following obtaining of an investment firm license from the AFM).

The administration functions and service providers that will be engaged for the purpose of servicing the new investment products will be based on similar arrangements as adopted in respect of our existing funds and managed accounts.

We believe that the diversification of our service offerings would not only generate more revenue for us, but will also enhance our market competitiveness as well as provide us with an opportunity to develop relationships with a broader range of prospective investors. We believe that the new investment products proposed to be launched by us as described above will benefit from our active trading strategy and specialised market expertise (involving real-time monitoring of markets and risk exposures and execution by an experienced team of portfolio managers and co-chief investment officers, many of whom have technical experience and expertise as both market makers and hedge fund managers) and supported by our scalable technology and operational infrastructure (with sophisticated analytical tools and pricing models supported by quantitative research developed for our specific way of trading). We expect there to be increasing demand for our products as the increasing volatile and uncertain equity markets following a prolonged bull run is expected to lead to strong demand from investors for diversifying strategies and continued growth in volatility risk premia strategies; and this would be supported by the strong performance of our funds and managed accounts (which generally outperform major volatility industry indices since the respective dates of inception of the relevant funds/managed accounts), strong brand power (as one of the better-known volatility trading firms) and enhanced visibility in the market, and the fact that our funds have reached such a size which is likely to attract a wider range of institutional capital.

(b) focusing on building awareness of our trading strategy and brand through more direct engagement with prospective investors and increasing our sales and marketing activities

We intend to increase our expenditure on sales and marketing to increase awareness of our trading strategy. It is expected that this would be achieved by, without limitation:

- (i) carrying out more direct engagement and liaison work with prospective investors

Since our inception as a relatively small fund manager, we engaged third party capital introduction partners to assist us in sourcing investors for our funds and managed accounts. As we have become one of the better-known volatility fund management firms in the industry with a strong track record in terms of fund performance (especially

FUTURE PLANS AND USE OF PROCEEDS

during volatile periods) and AUM growth, and given the enhanced visibility of our brand and our funds (including presence on platforms of professional of financial institutions as well as through the Listing), our Directors believe that it would be sensible to reduce our reliance on capital introduction partners for sourcing investors (to whom we are obligated to pay a material amount of fee commissions out of our revenue on a recurring basis in respect of each new investor/investment sourced).

As such, we intend to internalise our marketing efforts through initially hiring three additional trained and qualified sales and investor relations staff who will directly engage with prospective investors located in Europe and the United States. It is expected that in addition to cost-savings in terms of reduction of fees payable to capital introduction partners, such direct engagements are expected to allow: (a) us to have more control over the on-boarding process relating to prospective investors, which should reduce administrative costs involved in liaising with capital introduction partners in respect of investor due diligence and client on-boarding (including the provision of requisite information); (b) our staff to gain familiarity with our trading strategy over time and to become more experienced in developing valuable relationships with prospective investors over time; and (c) through sales and marketing activities, us to gather know-how which would assist us in further understanding investor needs and requirements.

The activities of our sales and marketing personnel will be supported by our London and Netherlands offices (as described in the paragraph “expanding our global presence and manpower” below in this section). It is expected that approximately HK\$6.5 million (determined with reference to research on salary levels in the industry as well as expected bonuses, social contributions and other related expenses) will be allocated for the hiring of these additional staff.

(ii) intensifying our marketing efforts

We intend to intensify our marketing efforts by attending more meetings with prospective investors, participating in more industry conferences as well as, to a lesser extent, engaging in promotional and sponsorship activities, with a view to enhancing awareness of our brand and performance.

During the COVID-19 pandemic, we have been hosting or participating in virtual meetings and webinars as well as using tech solutions (such as live conferencing and chat boxes) to engage with prospective investors and carry out investor relationship work. It is expected that these online interactions will continue to complement our sales and marketing efforts described above going forward following relaxation of social-distancing measures in the jurisdictions in which we operate.

We intend to hire new marketing and investor relations personnel based in our London, Chicago and Amsterdam offices, and sales and marketing efforts will be carried out across our global offices based on perceived locations of prospective investor interest in respect of our funds and products.

FUTURE PLANS AND USE OF PROCEEDS

(c) *strengthening and enhancing our IT and execution capability*

We believe that our proprietary trading technology developed for our specific way of trading is crucial for the implementation of our trading strategies and plays a vital role in our business processes. In order to support the expected increase in our AUM and launch of new funds and managed accounts, we intend to devote resources from the Net Proceeds to enhancing our technology infrastructure including through, without limitation:

- (i) developing of automation and other advanced features (including enhanced automatic volatility fitting, enhanced automated opportunity detection and monitoring, smarter order routing and allocation logic) which are expected to take certain manual tasks away from traders so that they can focus on more value-added tasks for fund management;
- (ii) enhancing our analytical and execution capabilities through, without limitation, subscriptions to additional stock market data service providers to enhance our quantitative research and the adoption of non-linear optimisation tools (including machine learning techniques based on artificial intelligence) in our quantitative research for the purpose of identification of patterns through analysis of historical data with a view to improving our options pricing and implied volatility models as well as trade execution, artificial intelligence and machine learning. These enhancements would assist to provide more informative indicators to support the trading decision-making processes of our portfolio managers and are expected to benefit the performance of our funds and managed accounts; and
- (iii) increasing redundancies across our servers and data centres across our global offices which will enable our systems to be more resilient and fail-safe against service interruptions, ensure seamless trading on a 24/5 basis as well as enable us to carry out maintenance without any downtime to our operations;
- (iv) enhancing our data centres across our offices including replacement of current servers with new hardware and increasing storage capabilities through a new centralised storage area network (which will allow our Group to, *inter alia*, improve our management and monitoring of storage environments, enable us to better assess storage growth and needs and scale our storage environment based on the growth of our business, as well as greatly improve storage performance with faster access);
- (v) modernising our its network equipment including installing next generation firewalls for improved protection against threats and support for and integration of virus and malware threat detection. This is particularly important as cybersecurity has become a key matter that investors and asset allocators focus on in their operational due diligence and it is believed that such trend will likely continue in the near future.

As our IT system is integrated for the use across our global offices, the Net Proceeds applied towards the enhancement of our IT systems will be shared among our global offices for the implementation of enhancements as described above.

FUTURE PLANS AND USE OF PROCEEDS

The Net Proceeds allocated to the enhancement of our IT systems will be applied to: (i) a historical data subscription service (with an estimated cost of approximately HK\$3.1 million); (ii) the enhancement of data centres, including the cost of new hardware, a new centralised storage area network and modernised network equipment (with an estimated cost of approximately HK\$12.1 million); (iii) the strengthening of our IT network, including the cost of connecting to a new network vendor (with an estimated cost of approximately HK\$3.2 million); and (iv) additional cloud storage costs (with an estimated cost of approximately HK\$3.9 million). The estimated costs cited above are based on quotations and, in some cases, invoices, obtained by our Group. In addition, internal staff will be hired to develop enhancements to our technology platform (including, without limitation, developing tools for conducting quantitative research, developing automated features to support our trading activities and developing features for structured managed accounts).

For the enhancement of our technology infrastructure (as described above), we intend to hire IT staff across our office locations to carry out, without limitation, software and features development, infrastructure maintenance and quantitative research.

Key roles and responsibilities of new IT staff

The following summarises the key roles and responsibilities of the new IT staff that will be hired under our implementation plan:

- *system developers (six – across global offices)*: assisting with designing and building scalable, automated continuous integration, continuous delivery, and continuous deployment pipelines; developing and implementing infrastructure and tools to support scalable cloud based applications; designing and developing IT solutions and incorporating them into the designs of our platforms; assisting in troubleshooting issues and supporting the operation of production software; and writing technical documentation;
- *senior system engineer (one – Chicago office)*: supporting and troubleshooting interactive user applications; ensuring system's ability in handling multiple issues from multiple users as well as managing critical outage scenarios; creating, maintaining and enhancing system tools and applications to increase the efficiency of our team and platform; and employing various tools to conduct analysis on system performance, root cause diagnostics, and systems'/applications' design to understand and improve the operating quality of production environments;
- *senior project manager (one – Hong Kong office)*: providing on-site leadership for the project team; ensuring project delivery through implementation; managing multiple related projects to ensure the overall program aligns with and supports strategic objectives; reporting on project success criteria results; preparing detailed project plans and procuring adequate resources for different phases of projects; and managing day-to-day project activities and providing status reporting;

FUTURE PLANS AND USE OF PROCEEDS

- *IT project manager (one – Amsterdam office)*: overall responsibility for project delivery and management of key elements including scope, deliverables, resources, timelines and budget; creating detailed project plans and managing and communicating all deviations from such plans; monitoring and controlling projects by actively identifying, tracking, managing, mitigating and resolving project issues and risks; conducting project meetings, collaborating with project team members, communicating requirements, and actively setting and managing expectations; and handling project documentation;
- *analyst developer (one – Hong Kong office)*: developing a roadmap for enhancing trading using artificial intelligence and collaborating with other personnel to deliver the roadmap; and facilitating user testing, feedback and transparency of artificial intelligence within the Group; and
- *quantitative analysts (four – across global offices)*: working alongside developers and trading team to build models, develop resolutions and perform research projects; developing and producing data analysis pipelines to support and improve trading strategies; executing research projects across pricing, modelling and trading strategies and mentoring team members on research and quantitative analysis.

Need for increased headcount for enhancing our IT capability

Our technology team is currently spread out over our Amsterdam and Hong Kong offices and together they cover 24/7 support of our Group's entire IT environment (both trading and non-trading). Currently, we employ (i) a head of research and three software engineers who together are responsible for the development, maintenance and support of our trading system with certain personnel also responsible for quantitative research; (ii) a head of IT who is responsible for our infrastructure, cybersecurity, and maintenance and support of third-party non-trading software, such as e-mail and file services; and (iii) our chief technology officer who supervises such technology personnel and provides assistance with regards to, among others, cyber security.

Additional personnel will be employed in our Amsterdam, Hong Kong and Chicago offices to reduce our dependency on our head of IT (based in Amsterdam) and other staff for providing 24/7 IT support. We intend to gradually build up a dedicated team of IT staff and system administrators, which will facilitate our 24/7 global support coverage, with additional staff able to provide local support in the relevant time zone. In particular, we intend to:

- (i) through one senior project manager, six system developers and a senior system engineer, enhance and develop new features (such as automated features to support our trading activities, and additional features for our self-developed fund management software to support new structured managed accounts to be launched) on our trading system. Whilst we have continued to undertake ongoing development of IT features and software for integration with and enhancement to our trading system, the pace of our development has lagged behind our AUM growth for the past two years. In addition, the number of new projects which may be undertaken at any given time has been constrained by limitations of resources and human capital. It is expected that the hiring of a senior

FUTURE PLANS AND USE OF PROCEEDS

project manager to lead our team of system developers and engineer will facilitate/accelerate our project delivery, implementation and enhance the management and reporting of IT system related projects;

- (ii) through the employment of four quantitative analysts and an analyst developer, conduct quantitative research on a dedicated full-time basis with a view to enhancing our current trading strategies (through, without limitation, developing and producing data analysis pipelines, model building and carrying out research projects) which our Directors consider are important for growing as an investment manager. Currently, such quantitative research is carried out by our software developers in collaboration with our portfolio managers, but not on a full-time dedicated basis; and
- (iii) employ an IT project manager to supervise our IT project delivery and implementation. Whilst project delivery and management has previously been supervised directly by our head of IT, it is expected that the hiring of such IT project manager to manage and implement projects based on scope, deliverables, resources, timelines and budget through detailed project plans (including through collaboration with project team members) would increase our capability to deliver more projects in a more systemic manner without over-reliance on our head of IT, who has overall responsibility for our entire IT infrastructure and system.

The overall objectives of the newly hired IT team would be to:

- (i) ensure that many shared responsibilities (including system development, risk management, quantitative research, cybersecurity and infrastructure management) are handled by a designated team of additional qualified IT staff, which will allow other personnel to focus on different specialisations and specific tasks important to the execution of our trading strategy. This will ensure that the most suitable personnel work on particular projects and functions and facilitate the increased separation of duties, which will facilitate us to achieve our objective in becoming a prominent fund manager in the volatility strategy space;
- (ii) ensure that our IT infrastructure and systems are and remain “state-of-the-art” through ongoing developments using the latest insights and software tools as we continue to grow in becoming a multi-billion dollar investment manager. Such developments are particular important, as operational robustness (including from the perspective of cybersecurity) has become a major focus of prospective investors in our funds and managed accounts; and
- (iii) ensure that the development of our software systems, trading tools, analytical and research tools as well as quantitative research (which are important for enhancing our trading models using, without limitation, various data mining and optimisation techniques, such as machine learning) are implemented through a team of designated and qualified full-time staff, which will enhance our analytical and execution capabilities, including in terms of the identification of patterns and the provision of

FUTURE PLANS AND USE OF PROCEEDS

more informative indicators which are crucial in supporting the trading decision-making processes of our team of portfolio managers and co-chief investment officers (and hence, enhance the performance of our funds and managed accounts).

The IT staff that will be hired should be suitably experienced and qualified. For example, a senior system engineer would be expected to have qualifications specialising in computer science, technology, management information system, mathematics, physics, engineering or similar area, as well as industry experience (preferably 5 to 8 years) in an operations/engineering role.

(d) expanding our global presence and manpower

We currently do not have an office in London and our office in the Netherlands does not currently carry out any fund management activities. In this regard, we intend to:

- (i) set up an office in London to tap into institutional capital by carrying out sales and marketing activities spearheaded by Mr. Robert John Kavanagh, our head of investment solutions, with the assistance of investor relations personnel; and
- (ii) obtain an investment firm license from the AFM in the Netherlands (which enables us to trade, provide investment services and other ancillary services) which will increase our capabilities and redundancies across the European time zone and will enhance our ability to trade seamlessly on a 24/5 basis (i.e. to support trading in the event trading facilities in either or both of our Hong Kong or Chicago offices become impaired). We also intend to increase our marketing and investor relations efforts in Europe through such office to attract European investments into our funds and managed accounts.

Proposed establishment of our London office

We currently do not have an office in London. Building on our hiring of our head of investment solutions, Mr. Robert John Kavanagh (“**Mr. Kavanagh**”) who is based in London and splits his time between different locations to meet with colleagues, strategic partners as well as existing and potential clients/investors, we intend to establish a London office mainly for the purpose of sourcing prospective investors as well as launching our structured managed accounts.

Our Directors consider that a London office would enable our Group to reach the widest range of potential investors, as it is situated in an attractively positioned time zone that allows interaction and communication with investors in all major financial centres (including those in Asia (early morning), the Middle East (morning), Europe (daytime) and the U.S. (afternoon)) during normal London business hours. Further, the London office will also overlap with the operating hours of our offices in Hong Kong, Amsterdam and Chicago during normal business hours, which will facilitate team communication. This is particularly important during the current Covid-19 pandemic, when travel is restricted.

FUTURE PLANS AND USE OF PROCEEDS

Further, it is considered that the European market is a key location from a marketing perspective, and London is the most important financial centre within that market. According to the Industry Expert, Western Europe is a key base for hedge fund investors, with an estimated over 1,000 institutional investors based in Western Europe. While more recent UK specific statements are not publicly available, as of 2017, it is estimated that 39% of European hedge fund investors and approximately half of European hedge fund managers were based in the United Kingdom. Further, many large U.S. hedge fund investors such as funds of hedge funds also have significant offices in Europe. The major European prime brokers also typically have their largest European operations and capital introduction teams in London, making it a key hub for building and maintaining capital introduction relationships. Specifically, the European capital introduction teams of our prime brokers are based in London.

For the above reasons, certain capital introduction partners which we have historically relied on for sourcing prospective investors, and certain key investors that were sourced by them (including London-based International Asset Management Limited (“IAM”), one of our top investors over the Track Record Period), are based in London. For reference, for the years ended 31 December 2018 and 31 December 2019 and the three months ended 31 March 2020, approximately 69.99%, 38.31% and 35.66%, respectively, of our total revenue were contributed by investors sourced by capital introduction partners based in London, and as at 31 March 2020, approximately US\$1.044 billion (or approximately 76.06%) of our total AUM was contributed by investors sourced by capital introduction partners based in London. Separately, over 51%, 42% and 29% of revenue for the years ended 31 December 2018 and 2019 and three months ended 31 March 2020, respectively, and over 75% of AUM as at 30 June 2020 were contributed by investors with a main contact or based in London. As such, our Directors consider that it would be sensible to establish a London office with the addition of operations and marketing personnel as (i) we intend to internalise our marketing activities by reducing our reliance on capital introduction partners and carry out more direct engagement with prospective investors, as described in paragraph (b) above; and (ii) it would be beneficial in terms of facilitating discussion of investment and trading strategies with prospective investors in London (such as IAM in respect of the IAM True Partner Volatility UCITS Fund) and work together on the marketing of funds and future products. This also reduces the need for our portfolio managers to travel to London to support marketing activities and allows them to focus on their portfolio management activities.

Further, Mr. Kavanagh, as a prior executive director at Goldman Sachs Asset Management, has developed a network of contacts from a London base within the hedge fund and broader investment industry. Our Directors consider that the establishment of a London office will further provide opportunities for sourcing investors for our funds, managed accounts and new structured managed account offerings, as well as generally enhancing our relations with current and potential investors in the United Kingdom.

FUTURE PLANS AND USE OF PROCEEDS

Experience and qualification of Mr. Kavanagh

Mr. Kavanagh has worked in the hedge fund industry since 2004. Prior to joining our Group in 2019, he was an executive director at Goldman Sachs Asset Management within the Alternative Investments & Manager Selection (“AIMS”) group. The AIMS group provides investment and advisory services to investors, covering hedge fund managers, private equity funds, real estate managers, public equity strategies and fixed income strategies, and managed over US\$200 billion of client assets as of September 2018. Within the AIMS group, Mr. Kavanagh was primarily focused on investing in hedge fund strategies across multiple regions.

Mr. Kavanagh’s experience includes strategy analysis, initial and ongoing fund manager due diligence, portfolio construction and asset allocation research. He has worked with multiple vehicle types, including offshore funds, liquid alternatives such as UCITS and mutual funds, and customised solutions. He has extensive experience in evaluating volatility strategies, and in communicating with a wide range of clients through a variety of formats. This makes him well positioned to discuss and present our Group’s strategies to investors and to play an important role in product development, particularly for customised mandates.

Mr. Kavanagh is a CFA charter-holder and holds a Bachelor of Science with First Class Honours in Philosophy and Politics from the University of Bristol, United Kingdom. Mr. Kavanagh is an appointed representative of IAM, which is authorised and regulated by the UK’s Financial Conduct Authority.

FUTURE PLANS AND USE OF PROCEEDS

Proposed increase in our headcount as part of our business expansion

In order to facilitate our plans to significantly grow our business, we intend to hire in total 40 additional operational, marketing, investor relations, trading, service delivery, administrative, compliance, IT and other personnel who will be housed in our new and/or additional office space. Details of these intended hires and their functions are set out in the table below for reference:

Six months ended	Location	Function	Number of new staff	Total number of new staff	Accumulated number of new staff
31 December 2020	Hong Kong	Compliance	1	3	3
	Hong Kong	Accounting	1		
	Hong Kong	Legal and human resources	1		
30 June 2021	Amsterdam	Compliance	1	7	10
	London	Marketing	1		
	Chicago	Investor Relations	1		
	London	Compliance	1		
	Hong Kong	Trading	1		
	Hong Kong	IT	1		
	Amsterdam	IT	1		
31 December 2021	Hong Kong	Risk Management	1	9	19
	Amsterdam	Risk Management	1		
	Amsterdam	Accounting	1		
	Chicago	Trading	1		
	Chicago	Operations	1		
	Hong Kong	IT	1		
	Amsterdam	IT	2		
	London	IT	1		
	Hong Kong	Trading	1		32
	Hong Kong	Service Delivery	1		
30 June 2022	Hong Kong	Accounting	1		
	Amsterdam	Trading	1		
	Amsterdam	Accounting	1		
	Amsterdam	Operations	1		
	London	Risk Management	1		
	Chicago	Risk Management	1		
	Hong Kong	IT	2		
	Amsterdam	IT	2		
	Chicago	IT	1		
	Hong Kong	Operations	1	6	38
31 December 2022	Amsterdam	Investor Relations	1		
	London	Administration	1		
	Amsterdam	IT	1		
	Chicago	IT	2		
	Amsterdam	Trading	1	2	40
30 June 2023	Amsterdam	Administration	1		

FUTURE PLANS AND USE OF PROCEEDS

Our Directors believe that such additional hires would be necessary to support, without limitation, our continued AUM growth (including through the launch of new funds and the establishment of managed accounts) and our listed company status. Further, such growth allows for the increased separation of duties, such as having independent compliance officers and legal and human resources managers, who will be more specialised in their respective functions. Specifically:

- (i) in respect of our Hong Kong head office, we intend to hire:
 - a compliance officer, a senior accountant, a part-time assistant accountant as well as a legal and human resources manager to support the expected increase in workload from the perspectives of finance, compliance and legal matters arising from the Listing;
 - a senior trader, a junior trader, a senior risk manager and a trade support personnel to support the expected growth in AUM and number of new managed accounts. In particular, the senior risk manager will be responsible for ensuring the robust and effective risk management of material risks arising from our various business activities;
 - to support our IT enhancements, two senior projects managers to lead system development concerning products, an analyst developer as well as a quantitative analysts; and
 - to enhance our service delivery, a network operations analyst responsible for all aspects of network, telecommunications and security operations relating to technologies.
- (ii) to support our trading activities to be carried out from our Netherlands office following obtaining of an investment firm license from the AFM as well as for compliance with applicable requirements prescribed by the AFM, we intend to hire:
 - a senior or junior portfolio manager with experience in implementation, management or oversight of portfolio management as well as qualifications in a quantitative field who would primarily be responsible for design, construction and management of investment portfolio at the trading desk in the Netherlands office in implementing our trading strategy;
 - two senior accountant to carry out financial administration activities (including financing accounting, tax and regulatory reporting, preparation of financial statements under local general accounting principles, as well as performing analysis and reconciliations) as well as supervise internal control processes;
 - an administration manager to conduct investment administration activities concerning funds under management (including dealing with subscriptions and redemptions and coordinating with administrators and custodians);

FUTURE PLANS AND USE OF PROCEEDS

- an internal audit manager who would be responsible of carrying out audit risk assessment, assurance and advisory activities, including audit planning and execution;
 - a chief compliance officer who would be responsible for conducting and documenting conflicts checks and clearing processes for business opportunities as well as other compliance functions;
 - a risk manager who would be responsible for implementing a risk framework to identify, measure and monitor principal risks;
 - an operations specialist who would be responsible for reviewing and managing operational issues across business areas, ensuring data accuracy, integrity and consistency and devising effective operational controls etc.; and
 - six additional IT staff (including three system administrators responsible leading system development concerning, without limitation, structured managed accounts and further trade automation, a IT projects manager (responsible for project delivery and management based on detailed project plans and budgets), a programmer and a quantitative analyst) to support IT enhancements;
- (iii) in our Chicago office, we intend to hire three additional staff to carry out trading, operations and risk management functions to support our expected growth in AUM and new managed accounts as well as two system administrators and a quantitative analyst;
- (iv) in our London office, we intend to hire a compliance officer, a risk manager, a quantitative analyst and an administrative officer for the purpose of supporting the newly established office in London as described above; and
- (v) we intend to hire three additional marketing and investor relations personnel in Amsterdam, London and Chicago as part of our plan to internalise our marketing activities and reduce our engagement of capital introduction partners, which we consider will result in increased cost-efficiencies in the longer-term. In particular, an investment relations manager will be hired in our Chicago office to develop and cultivate relationships with existing clients and prospects in the U.S. market, and a marketing personnel will be hired in London to support our head of investment solutions to tap into institutional capital, in particular, for the establishment of structured managed accounts;

Investment into our existing and new funds

In addition to our business expansion plans described above, we intend to apply approximately 17% of the Net Proceeds for investment into our flagship fund, the True Partner Fund, as well as new funds which will be launched by us.

We consider that investments in our existing funds would be interpreted positively by investors as it demonstrates alignment of interests. Such co-investment with fund investors is important for onboarding new investors into existing funds, as well as for retaining current investors.

FUTURE PLANS AND USE OF PROCEEDS

The second objective of investment into our funds relate to the launch of new funds. In general, investors tend to be reluctant to be the first investor in a new vehicle or strategy. One specific class of hedge fund investors, called “seeders”, specialises as first investors. The business model of seeders is to invest in new funds or strategies so that the fund/managed account can start with a reasonable asset size, which subsequently attracts other investors. However, this comes at a price as seed capital has associated costs; seeders generally share in the fee revenue of the newly launched fund in the order of 20% to 30% of all fees. Therefore, the economics of launching funds where we provide the first investments ourselves as opposed to attracting seed capital are more favourable as there is no such fee sharing.

Our Group has made investments into our funds since May 2018, and we intend to increase our investments in our existing funds as well as provide seed capital to funds to be launched by us. It is expected that such investments will enhance the marketability of our funds as well as facilitate further AUM growth.

Why we do not intend to use proceeds of the Share Offer for engaging and developing program trading

We do not currently engage in program trading because our trading strategy involves judgments and assessment of prevailing market conditions and evaluation of risk exposures concerning trading positions which cannot be solved by algorithms or calculations. As further explained in the section headed “Relative value volatility strategy and illustration of trade process and execution” in this prospectus, in determining whether to execute a trade to set up trading positions, our team of portfolio managers and co-chief investment officers have discretion to be defensive and not proceed with a perceived opportunity identified by analytical tools and quantitative models of our trading platform. For example, where a qualitative reason for a perceived dislocation exists which has not been incorporated in our quantitative models (which may be due to factors in play in respect of circumstances surrounding an event which is novel to the quantitative model, such as Brexit or an extreme act of God such as a large earthquake which may considered to be a one-off event), then we may not proceed to set up positions notwithstanding the opportunity perceived by our analytical tools and quantitative models which may be incorrect. It would not be possible for program trading software to properly curtail, postpone or omit the opportunity identified by the quantitative model in respect of one-off events, and this may lead to losses being made. As such, there is no plan for our Group to engage in program trading in the future as this is clearly not a trading strategy that would be effective for our Group.

USE OF PROCEEDS

We estimate that the aggregate Net Proceeds from the Share Offer (after deducing the estimated underwriting commission and other estimated expenses paid and payable by us in connection with the Share Offer), assuming an Offer Price of HK\$1.75 per Offer Share, being the mid-point of our indicative Offer Price range between HK\$1.55 and HK\$1.95 per Offer Share, will be approximately HK\$140 million, assuming that the Offer Size Adjustment Option is not exercised.

FUTURE PLANS AND USE OF PROCEEDS

We currently intend to apply the Net Proceeds in the following manner:

- (i) approximately HK\$68.8 million (representing approximately 49.2% of the total estimated Net Proceeds) will be used for the expansion of our operations in Hong Kong, Amsterdam, London and Chicago including for recruitment of new personnel, lease of new and/or additional office and related general operating expenses;
- (ii) approximately HK\$5.4 million (representing approximately 3.9% of the total estimated Net Proceeds) will be used for our plan to obtain an investment firm license from the AFM in the Netherlands;
- (iii) approximately HK\$22.3 million (representing approximately 15.9% of the total estimated Net Proceeds) will be used for enhancing our IT systems;
- (iv) approximately HK\$5.7 million (representing approximately 4.1% of the total estimated Net Proceeds) will be used for sales and marketing purposes;
- (v) approximately HK\$23.8 million (representing approximately 17.0% of the total estimated Net Proceeds) will be used for investing in funds managed by the Group; and
- (vi) approximately HK\$14.0 million (representing approximately 10.0% of the total estimated Net Proceeds) will be used for general working capital.

In the event the Offer Size Adjustment Option is exercised in full and assuming an Offer Price of HK\$1.75 per Offer Share, being the mid-point of the indicative Offer Price range between HK\$1.55 and HK\$1.95 per Offer Share, the estimated Net Proceeds we will receive will be increased by approximately HK\$26.3 million. In the event that the Offer Price is set at HK\$1.95 per Offer Share, being the high-end of the indicative Offer Price range, the estimated Net Proceeds we will receive will be increased by approximately HK\$46.3 million, assuming the Offer Size Adjustment Option is exercised in full. In the event that the Offer Price is fixed at HK\$1.55 per Offer Share, being the low-end of the indicative Offer Price range, the estimated Net Proceeds we will receive will be reduced by HK\$19.0 million, assuming the Offer Size Adjustment Option is not exercised. To the extent that our actual Net Proceeds from the Share Offer are higher than the mid-point, we may increase the allocation of the Net Proceeds to the above purposes on a pro-rata basis. To the extent that our actual Net Proceeds from the Share Offer are lower than the mid-point, we may reduce our allocation of Net Proceeds from general working capital purposes and, where necessary, from the amount initially allocated for our investment into funds managed by our Group, while the Net Proceeds allocated for other purposes will remain unchanged.

If we make a Downward Offer Price Adjustment to set the final Offer Price at HK\$1.40 per Offer Share, the estimated Net Proceeds we will receive will be further reduced by an additional amount of approximately HK\$14.3 million. In the event of the maximum reduction in Offer Price from an exercise of the Downward Offer Price Adjustment, we may reduce the allocation of the Net Proceeds as follows: (i) sales and marketing to be reduced in the amount of approximately HK\$3.0 million, and (ii) investment into funds managed by our Group to be reduced in the amount of approximately HK\$11.2 million, while the Net Proceeds allocated for other purposes will remain unchanged.

FUTURE PLANS AND USE OF PROCEEDS

To the extent that the Net Proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, our Directors intend to deposit the Net Proceeds into short-term interest bearing deposit accounts held with authorised financial institutions and/or licensed banks in Hong Kong so long as it is deemed to be in the best interests of the Group. The possible use of proceeds outlined above may change in light of our evolving business needs and conditions, management requirements, market circumstances and regulatory requirements. In the event of any material modification to the use of proceeds as described above, we will issue an announcement and make appropriate disclosure in compliance with the GEM Listing Rules.

IMPLEMENTATION PLANS

Our Directors have drawn up an implementation plan for the period up to 30 June 2023 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 out in the section headed “Risk factors” in this prospectus. There is no assurance that our plans will materialise in accordance with our expected timeframe or that our objectives 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 so as to minimise disruptions to the implementation of our plan, to the extent possible.

	From 1 September to 31 December 2020 HK\$'000	For the six months ended 30 June 2021 HK\$'000	For the six months ended 31 December 2021 HK\$'000	For the six months ended 30 June 2022 HK\$'000	For the six months ended 31 December 2022 HK\$'000	For the six months ended 30 June 2023 HK\$'000	Total amount to be funded by the Net Proceeds HK\$'000
(1) Expansion of our operations in Hong Kong							
• hiring of thirteen new personnel responsible for legal and human resources, accounting, trading, I.T., risk management, service delivery and operations	480	1,457	3,548	4,382	6,297	5,740	21,904
• general operating expenses	16	35	63	94	117	115	440
• leasing of additional office space	—	457	911	881	879	848	3,976
• purchase of office equipment for additional office space and additional personnel as well as leasehold improvements	57	823	38	95	19	—	1,032
Sub-total	553	2,772	4,559	5,452	7,312	6,703	27,352

FUTURE PLANS AND USE OF PROCEEDS

	From 1 September to 31 December 2020 <i>HK\$'000</i>	For the six months ended 30 June 2021 <i>HK\$'000</i>	For the six months ended 31 December 2021 <i>HK\$'000</i>	For the six months ended 30 June 2022 <i>HK\$'000</i>	For the six months ended 31 December 2022 <i>HK\$'000</i>	For the six months ended 30 June 2023 <i>HK\$'000</i>	Total amount to be funded by the Net Proceeds <i>HK\$'000</i>
(2) Expansion of our operations in Amsterdam, Netherlands							
• hiring of fifteen new personnel responsible for compliance, risk management, accounting, trading, I.T., operations, investor relations and administration	—	628	1,973	3,143	5,466	5,963	17,163
• general operating expenses	—	123	212	369	508	639	1,851
• leasing of new and/or additional office	—	90	540	542	556	559	2,287
• purchase of office equipment for additional office space and additional personnel	—	38	76	95	38	38	285
Sub-total	—	879	2,801	4,149	6,558	7,189	21,586
(3) Expansion of our operations in London, United Kingdom							
• hiring of five new personnel responsible for marketing, I.T., compliance, risk management and administration	—	580	1,465	1,576	2,584	2,525	8,730
• general operating expenses	—	114	202	217	302	323	1,158
• leasing of new office	—	222	222	229	229	236	1,138
• purchase of office equipment for newly leased office and additional personnel	—	38	19	19	19	—	95
Sub-total	—	954	1,908	2,041	3,134	3,084	11,121
(4) Expansion of our operations in Chicago, U.S.							
• hiring of seven new personnel responsible for investor relations, trading, I.T., operations and risk management	—	266	643	1,198	2,327	3,978	7,412
• expenses	—	17	33	77	97	97	321
• leasing of new and/or additional office	—	—	179	214	220	221	834
• purchase of office equipment for additional office space and additional personnel	—	19	38	38	38	—	133
Sub-total	—	302	893	1,527	2,682	3,296	8,700

FUTURE PLANS AND USE OF PROCEEDS

	From 1 September to 31 December 2020 <i>HK\$'000</i>	For the six months ended 30 June 2021 <i>HK\$'000</i>	For the six months ended 31 December 2021 <i>HK\$'000</i>	For the six months ended 30 June 2022 <i>HK\$'000</i>	For the six months ended 31 December 2022 <i>HK\$'000</i>	For the six months ended 30 June 2023 <i>HK\$'000</i>	Total amount to be funded by the Net Proceeds <i>HK\$'000</i>
(5) Expansion through investment firm license from the AFM							
• AFM license application fees	886	—	—	—	—	—	886
• screening fees for our proposed new portfolio managers	63	—	—	—	—	—	63
• marketing and capital introduction manager expenses	291	437	437	437	437	437	2,476
• professional services expenses	233	349	349	349	349	349	1,978
Sub-total	1,473	786	786	786	786	786	5,403
(6) Enhancement of our IT systems							
• historical data subscription service	—	326	1,776	326	326	326	3,080
• enhancement of data centres	—	3,370	339	3,710	679	4,049	12,147
• strengthening of IT network	—	632	632	632	632	632	3,160
• cloud storage	—	261	522	783	1,044	1,305	3,915
Sub-total	—	4,589	3,269	5,451	2,681	6,312	22,302
(7) Sales and marketing	115	631	860	1,147	1,377	1,606	5,736
(8) Investing in funds managed by the Group	140	4,970	5,250	5,600	5,880	1,960	23,800
(9) General working capital	280	1,540	2,100	2,800	3,360	3,920	14,000
Total	2,561	17,423	22,427	28,953	33,780	34,856	140,000

BASES AND KEY ASSUMPTIONS

We have adopted the following principal assumptions in the preparation of the future plans up to 30 June 2023:

- there will be no material adverse change in the existing political, legal, fiscal, market or economic conditions and environment in Hong Kong, the United States, the Netherlands, the United Kingdom and the Cayman Islands 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;
- our Group will be able to maintain and renew/obtain all relevant licences, permits, registrations, approvals, and certificates required for our businesses activities, including obtaining an investment firm license from the AFM;

FUTURE PLANS AND USE OF PROCEEDS

- there will be no material change in the bases (such as inflation, interest rate and foreign exchange rate) or rates of taxation and duties in Hong Kong, the United States, the Netherlands, the United Kingdom and the Cayman Islands or in any jurisdiction applicable to the activities of any member of our Group;
- our Group will have sufficient financial resources to meet our planned capital expenditure and business development requirements during the period to which our future plans relate;
- the Listing and Share Offer will be completed in accordance with and as described in the section headed “Structure of the Share Offer” in this prospectus;
- our Group will be able to retain our Directors, senior management, key personnel and staff, and recruit additional senior management, key personnel and staff as needed in the development of our existing and future business;
- our Group will be able to maintain relationships with our existing major clients and investors in the funds and managed accounts, with the level of business and investments received from such clients and investors broadly maintained, and expand our client and investor portfolio as planned;
- there will be no material differences between the actual capital requirements for implementing each of the above plans and the amounts currently estimated by 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 or cause substantial loss, damage or destruction to our properties or facilities; and
- our Group will be able to continue our operations in substantially the same manner as they were carried out during the Track Record Period and we will also be able to carry out our implementation plan without disruptions adversely affecting our operations or business objectives in any way.

UNDERWRITING

UNDERWRITERS

Joint Bookrunners

Alliance Capital Partners Limited
BMI Securities Limited
Kingsway Financial Services Group Limited
SPDB International Capital Limited

Joint Lead Managers

Carlyon Securities Limited
China On Global Capital Group Limited
Easy Securities Limited
GLAM Capital Limited
HGNH International Securities Co., Limited
Sinomax Securities Limited

Public Offer Underwriters

Alliance Capital Partners Limited
BMI Securities Limited
Carlyon Securities Limited
China On Global Capital Group Limited
Easy Securities Limited
GLAM Capital Limited
HGNH International Securities Co., Limited
Kingsway Financial Services Group Limited
Sinomax Securities Limited
SPDB International Capital Limited

Placing Underwriters

Alliance Capital Partners Limited
BMI Securities Limited
Carlyon Securities Limited
China On Global Capital Group Limited
Easy Securities Limited
GLAM Capital Limited
HGNH International Securities Co., Limited
Kingsway Financial Services Group Limited
Sinomax Securities Limited
SPDB International Capital Limited

UNDERWRITING

UNDERWRITING ARRANGEMENTS AND EXPENSES

The Public Offer Underwriting Agreement

The Public Offer Underwriting Agreement was entered into on 29 September 2020. Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer initially 10,000,000 Public Offer Shares (subject to reallocation) for subscription by members of the public in Hong Kong on the terms and subject to the conditions of this prospectus 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
- 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 Bookrunners (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 Offer Underwriters have agreed to subscribe or procure subscribers applications, on the terms and conditions of this prospectus 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 Bookrunners (for themselves and on behalf of the Public Offer Underwriters) have the right, in their sole and absolute discretion, by notice in writing to the Company, to terminate the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement if it see fit upon the occurrence of any of the following events at any time at or before 8:00 a.m. (Hong Kong time) on the Listing Date:

- (a) there has come to the notice of the Joint Bookrunners:
 - (i) that any statement contained in the Prospectus or the Application form or the Formal Notice or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Public Offer (including any supplement or amendment thereto), considered by the Joint Bookrunners (for themselves and on behalf of 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 Prospectus, the Application form or the Formal Notice or in any notices, announcements,

UNDERWRITING

advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Public Offer (including any supplement or amendment thereto), was, when it was made, not fairly and honestly made and made on reasonable ground, or where appropriate, based on reasonable assumptions in any material respects when taken as a whole; or

- (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Prospectus, not having been disclosed in the prospectus, constitute a material misstatement in any of the prospectus, the Application form and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Public Offer (including any supplement or amendment thereto) or constitute a material omission therefrom, as considered by the Joint Bookrunners (for themselves and on behalf of 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 any of the Public Offer Underwriters) which the Joint Bookrunners acting reasonably consider to be material; or
- (iv) any breach, considered by the Joint Bookrunners (for themselves and on behalf of 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 the Company, our executive Directors and Substantial 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 matter or event arising or has been discovered rendering or there coming to the notice of any of the Joint Bookrunners or the Public Offer Underwriters any matter or event showing any of the representations, warranties and undertakings given by the Company or the Substantial Shareholders in the Public Offer Underwriting Agreement or the Placing Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete in any material respect, or misleading or having been breached; or
- (vi) 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 the Group which is considered by the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) in their sole and reasonable opinion to be material in the context of the Share Offer; or

UNDERWRITING

- (vii) approval by the Listing Committee 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
- (viii) the Company withdraws the Prospectus and the Application form (and/or any other documents used in connection with contemplated subscription and sale of the Offer Shares) or the Share Offer; or
- (ix) any person (other than any of the Public Offer Underwriters) has withdrawn or sought to withdraw its consent to being named in the Prospectus, the Application form and/or any other documents used in connection with the contemplated subscription and sale of the Offer Shares or to the issue of the Prospectus, the Application form or any of such documents; or
- (x) other than with the approval of the Joint Bookrunners, the issue or requirement to issue by the Company of any supplement or amendment to the Prospectus and the Application form (or to any other documents used in connection with the contemplated subscription and sale of the Offer Shares) pursuant to the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance; or
- (xi) a change in 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 Bookrunners (for themselves and on behalf of the Public Offer Underwriters), honestly held, materially adverse to the marketing or implementation of the Share Offer; or
- (xii) any prohibition on the Company by a Government Authority for whatever reasons from offering, allotting, issuing or selling of the Offer Shares pursuant to the terms of the Share Offer; or
- (xiii) any event, act or omission which gives or is likely to give rise to any material 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 by the Company and the Warrantors (as applicable) at or before 5:00 p.m. on the Price Determination Date; or
- (xv) 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
- (xvi) 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

UNDERWRITING

- (xvii) other than 2019-nCoV, 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, terrorism, strike, or lock-out, natural disaster, epidemic, pandemics and/or outbreak of infectious diseases including, *inter alia*, Influenza A (H5N9), coronavirus and any related or mutated forms of infectious diseases (or the escalation and/or intensification of any outbreak, epidemic and/or pandemic of the foregoing), which in the reasonable opinion of the Sole Sponsor and/or the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), honestly held:
- (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 the Public Offer Underwriting 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 (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 general 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 U.S. or any material fluctuation in the exchange rate of the Hong Kong dollars against any foreign currencies or any interruption in the securities settlement or clearing service or procedures, respectively) in or affecting Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction where any member of the Group 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
 - (iii) other than 2019-nCoV, any event or series of events in the nature of force majeure (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 and/or outbreaks of infections, diseases, including, *inter alia*, Influenza A (H5N9), coronavirus and any related or mutated forms of infectious diseases (or the escalation and/or intensification of any outbreak, epidemic

UNDERWRITING

and/or pandemic of the foregoing), 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) the imposition or declaration of (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 procedures or matters 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 Jurisdiction; 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 the Group; or
- (ix) any contravention by any member of the Group or any Director of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Cayman Companies Law, the GEM Listing Rules or other applicable laws; or
- (x) the commencement by any governmental, law enforcement agency, regulatory or political body or organisation of any action against any Director or any member of the 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
- (xi) 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
- (xii) the chairman or chief executive officer of the Company vacating his position that leads to the circumstances where the operations of the Group will be materially and is likely, in the sole and absolute determination of the Joint Bookrunners (acting reasonably for themselves and on behalf of the Public Offer Underwriters), be adversely affected; or

UNDERWRITING

- (xiii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the 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 the Group or anything analogous thereto occurring in respect of any member of the Group; or
- (xiv) non-compliance of the Prospectus or any aspect of the Share Offer with the GEM Listing Rules, the Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the SFO or any other applicable laws and regulations; or
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of the Company or any member of the Group or in respect of which our Company or any member of the Group is liable prior to its stated maturity; or
- (xvi) 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” of the Prospectus; or
- (xvii) any material loss or damage sustained by any member of the 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
- (xviii) any adverse change or development involving a prospective change in the condition (financial or otherwise) or in the assets, liabilities, general affairs, business, management, prospects, shareholders’ equity, profits, losses, results of operations, positions or condition, financial, operational or otherwise, trading position of any member of the Group, or customer confidence or performance of any member of our Group, including but not limited to any action, suit, proceeding, litigation or claim of any third party being threatened or instigated against any member of the Group, or any investigation of any member of the Group or an order or suspension of business by any government authority; or
- (xix) other than with the approval of the Joint Bookrunners and the Public Offer Underwriters (such approval not to be unreasonably withhold), the issue or requirement to issue by the Company of a supplementary prospectus (or any other documents used in connection with the contemplated subscription for and/or purchase of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules,

UNDERWRITING

which in each case in the sole and reasonable opinion of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), honestly held:

- (a) is or will 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 the Company or the Group or any members of the Group or on any present or prospective shareholder in his, her or its capacity as such; or
- (b) has or will have or could be expected to have a material 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
- (c) make, will make or is likely to make 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
- (d) has or will or is likely to have the effect of making any part of the Public Offer Underwriting Agreement (including underwriting) 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 Substantial Shareholders will enter into the Placing Underwriting Agreement with, among others, the Joint Bookrunners, the Joint Lead Managers 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 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 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 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.

UNDERWRITING

Mr. Chan Heng Fai Ambrose, a Substantial Shareholder of our Company is a passive investor with an approximately 9% indirect interest in the shareholding of BMI Securities Limited, one of the Joint Bookrunners and Underwriters.

No director or employee of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers 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 Substantial Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement.

UNDERTAKINGS

Undertakings to the Stock Exchange pursuant to the GEM Listing Rules

Undertakings by the 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.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertaking by our Company

Pursuant to the Public Offer Underwriting Agreement, our Company has further undertaken to each of the Sole Sponsor, the Joint Bookrunners and the Public Offer Underwriters that, except for the issue, offer or sale of the Offer Shares by our Company pursuant to the Share Offer (including pursuant to the exercise of the Offer Size Allotment Option) and the issue of the Shares by our Company pursuant to the Capitalization Issue, our Company will not and will procure each other member of the Group not to, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, at any time during the period commencing from the date of this agreement and ending on the expiry of the six months after the Listing Date (the “**First Six-Month Period**”):

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either

UNDERWRITING

directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represents the right to receive, or any warrants or other rights to purchase any share capital or other securities of our Company, as applicable), or deposit any share capital or other securities of our Company, as applicable, with a depositary in connection with the issue of depositary receipts; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions specified is to be settled by delivery of Shares or such other securities, in cash or otherwise (whether or not the issue of such share capital or other securities will be completed within the First Six Month Period). Our Company further agrees that, in the event our Company enters into any of the transactions described in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the First Six Month Period expires (the “**Second Six Month Period**”), it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of our Company will, create a disorderly or false market for any Shares or other securities of our Company.

Undertaking by our Substantial Shareholders

Under the Public Offer Underwriting Agreement, each of the Substantial Shareholders has jointly and severally undertaken to our Company, each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, except pursuant to the Share Offer (including the exercise of the Offer Size Adjustment Option), he or it will not, without the prior written consent of the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters), and unless in compliance with the requirements of the GEM Listing Rules:

- (a) during the First Six-Month Period:
 - (i) sell, offer to sell, contract or agree to sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or contract or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly (through a chain of companies or not),

UNDERWRITING

conditionally or unconditionally, any Shares or any other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company) held by it as of the date of the Public Offer Underwriting Agreement; or

- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer to or agree to or contract to, or announce any intention to enter into any transaction specified in (i), (ii) or (iii) above,

in each case, whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of such capital or securities, in cash or otherwise (whether or not such transaction will be completed within the First Six-Month Period);

- (b) it will not, during the Second Six-Month Period, enter into any of the transactions specified in clauses (i), (ii) or (iii) above or offer to or agree to or contract to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a “substantial shareholder” (as the term is defined in the GEM Listing Rules) of our Company;
- (c) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company; and
- (d) at any time after the date hereof up to and including the date falling 12 months after the Listing Date, it shall:
 - (i) if and when it pledges or charges any Shares or other securities of our Company (or any interests therein) beneficially owned by it, immediately inform our Company and the Joint Bookrunners in writing of such pledge or charge together with the number of Shares or securities (or interests therein) so pledged or charged; and
 - (ii) if and when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities (or interests therein) of our Company will be disposed of, immediately inform our Company and the Joint Bookrunners in writing of such indications.

UNDERWRITING

COMMISSION AND EXPENSES

The Underwriters will receive a combined management, praecipium and underwriting commission of 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. Apart from the above-mentioned 5% underwriting commission, there is no further fee nor incentive/bonus to be paid to the Underwriters.

The Sole Sponsor will receive a sponsorship 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 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\$35.0 million in total (assuming the Offer Size Adjustment Option is not exercised and based on the Offer Price of HK\$1.75 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 Substantial Shareholders have agreed to indemnify the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers 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 Agreements.

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.

Save for their interests and obligations under the Underwriting Agreements, the sponsorship 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 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.

Mr. Chan Heng Fai Ambrose, a Substantial Shareholder of our Company is a passive investor with an approximately 9% indirect interest in the shareholding of BMI Securities Limited, one of the Joint Bookrunners and Underwriters.

No director or employee of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers or the Underwriters has a directorship in our Company or any member of our Group.

UNDERWRITING

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 dispatch 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 sponsor set out in Rule 6A.07 of the GEM Listing Rules.

STAMP TAXES

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

STRUCTURE OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Share Offer. Alliance Capital Partner Limited is the Sole Sponsor, the Joint Bookrunners and Joint Lead Managers of the Share Offer.

The Share Offer comprises:

- (a) the Public Offer of 10,000,000 Public Offer 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 90,000,000 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.

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.

The Public Offer is open to members of the public in Hong Kong as well as to institutional, professional and other investors in Hong Kong. The Placing will involve selective marketing of the Offer Shares to institutional, professional and other investors. The Placing Underwriters will solicit from prospective investors indications of interest in acquiring the Offer Shares in the Placing.

The Offer Shares will represent 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (without taking into account of Shares which may be allotted and issued by the Company upon the exercise of the Offer Size Adjustment Option and/or options granted under the Pre-IPO Share Option Scheme and options that may be granted under the Share Option Scheme).

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 “Reallocation of the Offer Shares between the Placing and the Public Offer” below.

References in this prospectus to applications, application monies or the procedure for application relate solely to the Public Offer.

THE PUBLIC OFFER

Number of Public Offer Shares initially offered

Our Company is initially offering 10,000,000 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).

STRUCTURE OF THE SHARE OFFER

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.

Completion of the Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Share Offer” below in this section.

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.

The total number of Public Offer Shares available under the Public Offer (after taking into account any reallocation as referred to below) is to be divided equally (to the nearest board lot) into two pools for allocation purposes: pool A and pool B. The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for the Public Offer Shares with an aggregate subscription price of HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) or less. The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable thereon) and up to the total value in pool B.

Investors should be aware that the allocation ratios for applications in the two pools, as well as the allocation ratios for applications in the same pool, are likely to be different. Where one of the pools is undersubscribed, the surplus Public Offer Shares will be transferred to satisfy demand in the other pool and be allocated accordingly.

Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Public Offer and any application for more than 50% of the Public Offer Shares initially available under the Public Offer (i.e. 5,000,000 Public Offer Shares) will be rejected.

Applications

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

STRUCTURE OF THE SHARE OFFER

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him or her that he or she and any person(s) for whose benefit he or she is making 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 Placing Shares under the Placing. Such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he or she has been or will be placed or allocated Placing Shares under the Placing. Multiple applications or suspected multiple applications and any application made for more than 50% of the Shares initially comprised in the Public Offer (i.e. 5,000,000 Public Offer Shares) are liable to be rejected.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$1.95 per Offer Share plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and allocation" of this section below, is less than the maximum Offer Price of HK\$1.95 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to wholly or partially successful applicants, without interest. For details, please refer to the section headed "How to apply for Public Offer Shares" of this prospectus.

THE PLACING

Number of Placing Shares initially offered

Our Company is expected to offer initially 90,000,000 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).

Allocation

Pursuant to the Placing, it is expected that the Placing Shares will be conditionally placed on behalf of our Company by the Placing Underwriters or through selling agents appointed by them. The Placing Shares will be selectively placed to selected professional, institutional and other 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.

STRUCTURE OF THE SHARE OFFER

Allocation of Placing Shares will be effected in accordance with the “book-building” process based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer 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 our 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 Bookrunners (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.

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) Where the Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Public Offer Shares are undersubscribed, the Joint Bookrunners (for themselves and on behalf of the Underwriters) have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deem appropriate;
 - (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 10,000,000 Offer Shares may be reallocated to the Public Offer from the Placing (as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deem appropriate), so that the total number of the Offer Shares available under the Public Offer will be increased to 20,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);
 - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 20,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be 30,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);

STRUCTURE OF THE SHARE OFFER

- (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 30,000,000 Offer Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be 40,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option); and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, 40,000,000 then Offer Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be 50,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).
- (b) Where the Placing Shares are undersubscribed:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus and the Underwriting Agreements; and
 - (ii) if the Public Offer Shares are oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 10,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 20,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (a) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (b) the Placing Shares are undersubscribed and the Public Offer Shares are oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$1.55 per Offer Share) stated in this prospectus (subject to the Downward Offer Price Adjustment).

In each case, additional Offer Shares will be reallocated to the Public Offer and the number of Offer Shares allocated to the Placing will be correspondingly reduced, in such manner as the Joint Bookrunners (for themselves and on behalf of the Underwriters) deem appropriate. In addition, the Joint Bookrunners (for themselves and on behalf of the Underwriters) may in its sole and absolute discretion reallocate Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 6 of the GEM Listing Rules, the maximum total number of Offer Shares that may be allocated to the Public Offer following such reallocation shall be not more than

STRUCTURE OF THE SHARE OFFER

double the initial allocation to the Public Offer, i.e. 20,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available for subscription under the Share Offer (before any exercise of the Offer Size Adjustment Option).

OFFER SIZE ADJUSTMENT OPTION

Our Company has granted the Offer Size Adjustment Option (which is granted to the Placing Underwriters and exercisable by the Joint Bookrunners on behalf of the Placing Underwriters at its sole and absolute discretion) to cover any over-allocation in the Placing. Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue up to 15,000,000 additional Offer Shares at the Offer Price, representing approximately 15% of the Offer Shares initially available under the Share Offer, on the same terms as those applicable to the Share Offer.

The Offer Size Adjustment Option can only be exercised at any time before 5:00 p.m. on the Business Day immediately before the date of the announcement of the results of allocation and the basis of allocation of the Public Offer Shares. Otherwise, the Offer Size Adjustment Option will lapse.

The purpose of the Offer Size Adjustment Option is to provide flexibility for the Joint Bookrunners to meet any excess demand in the Share Offer. Any such additional Shares to be issued pursuant to the Offer Size Adjustment Option will not be used for price stabilisation purpose and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO (Chapter 571W of the Laws of Hong Kong).

In the event that the Offer Size Adjustment Option is exercised in full, 15,000,000 additional Offer Shares will be issued resulting in a total number of 415,000,000 Shares in issue and the shareholding of the Shareholders will be diluted by approximately 3.6% following completion of the Share Offer and the exercise of the Offer Size Adjustment Option.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received will be allocated on a pro-rata basis in accordance with the allocations as disclosed in the section headed “Future Plans and Use of Proceeds” in this prospectus.

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 Bookrunners, our Company will confirm in such announcement that the Offer Size Adjustment Option has lapsed and cannot be exercised at any future date.

PRICING AND ALLOCATION

Determining the Offer Price

Pricing of the Offer Shares for the purpose of the various offerings under the Share Offer will be set on the Price Determination Date, which is expected to be on or around Friday, 9 October 2020 but in any event not later than 5:00p.m., on Saturday, 10 October 2020, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

STRUCTURE OF THE SHARE OFFER

The Offer Price will not be more than HK\$1.95 per Offer Share and is expected to be not less than HK\$1.55 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Public Offer must pay, on application, the maximum Offer Price HK\$1.95 per Offer Share plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee, amounting to a total of HK\$3,939.31 for one board lot of 2,000 Offer Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the bottom end of the indicative Offer Price range stated in this prospectus (subject to a Downward Offer Price Adjustment).** If the Offer Price is lower than the maximum Offer Price of HK\$1.95 per Offer Share, appropriate refund payments (including the related brokerage, the SFC transaction levy and the Stock Exchange trading fee 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, 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 and our Company’s website at www.truepartnercapital.com a notice of the change and if applicable the revised date.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or around Saturday, 10 October 2020, the Share Offer will not proceed and will lapse. In such event, our Company will issue an announcement to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.truepartnercapital.com.

Announcement of Offer Price Reduction

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process, and with the consent of our Company, determine the final Offer Price to be no more than 10% below the bottom end of the indicative Offer Price range, at any time on or prior to the Price Determination Date.

In such situation, our Company will, as soon as practicable following the decision to set the final Offer Price below the bottom end of the indicative Offer Price range, publish on the website of the Stock Exchange at www.hkexnews.hk and our Company’s website at www.truepartnercapital.com an announcement of the final Offer Price after making a Downward Offer Price Adjustment. Such announcement will be issued before and separate from the announcement of the results of allocations expected to be announced on Thursday, 15 October 2020. The Offer Price announced following making of a Downward Offer Price Adjustment shall be the final Offer Price and shall not be subsequently changed.

In the absence of an announcement that a Downward Offer Price Adjustment has been made, the final Offer Price will not be outside the indicative Offer Price range as disclosed in this prospectus unless the Withdrawal Mechanism is utilised.

STRUCTURE OF THE SHARE OFFER

Announcement of final Offer Price and basis of allocations

Irrespective of whether a Downward Offer Price Adjustment is made, the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer, the basis of allocation of the 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 are expected to be made available on Thursday, 15 October 2020 in a variety of channels as described in the section headed “How to apply for Public Offer Shares – 11. Publication of results” in this prospectus.

UNDERWRITING

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement. We expect to enter into the Placing Underwriting 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” of this prospectus.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares is conditional upon, amongst other things, the satisfaction of all the following conditions, in each case on or before the dates 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 30 days after the date of this prospectus:

- (i) the Listing Division of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued pursuant to the Capitalisation Issue and the Share Offer (including the Shares which fall to be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options has been granted under the Pre-IPO Share Option Schemes or Options which may be granted under the Share Option Scheme);
- (ii) the entering into the Price Determination Agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date; and
- (iii) the obligations of the Underwriters under each of the Underwriting Agreements becoming and remaining unconditional and not being terminated in accordance with the terms of the Underwriting Agreements.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by us on the Stock Exchange’s website at www.hkexnews.hk and our Company’s website at www.truepartnercapital.com on the next business day following such lapse. In such eventuality, all application money will be returned, without interest, on the terms set out in “How to

STRUCTURE OF THE SHARE OFFER

apply for Public Offer Shares”. In the meantime, all application money will be held in separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended from time to time).

Share certificates for the Offer Shares are expected to be issued on Thursday, 15 October 2020 but will only become valid certificates of title at 8:00 a.m. on Friday, 16 October 2020 provided that (i) the Share Offer has become unconditional in all respects, and (ii) the right of termination as described in the paragraph headed “Underwriting – Underwriting arrangements and expenses -Public Offer – Grounds for termination” in this prospectus has not been exercised.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made for the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares 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 any other date HKSCC chooses. 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.

DEALING ARRANGEMENTS

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 16 October 2020, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 16 October 2020.

The Shares will be traded in board lots of 2,000 Shares each. The stock code of the Shares is 8657.

HOW TO APPLY FOR PUBLIC OFFER SHARES

IMPORTANT NOTICE TO INVESTORS:

FULLY ELECTRONIC APPLICATION PROCESS

We have adopted a fully electronic application process for the Public Offer. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Public Offer.

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section and our website at www.truepartnercapital.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

The contents of the electronic version of this prospectus are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Set out below are procedures through which you can apply for the Public Offer Shares electronically. We will not provide any physical channels to accept any application for the Public Offer Shares by the public.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

If you have any question about the application for the Public Offer Shares, you may call the enquiry hotline of our Hong Kong Branch Share Registrar and HK eIPO White Form Service Provider, Tricor Investor Services Limited, both at +852 3907-7333 from 9:00 a.m. to 5:00 p.m. on Wednesday, 30 September 2020, from 9:00 a.m. to 1:00 p.m. on Saturday, 3 October 2020, from 9:00 a.m. to 5:00 p.m. on Monday, 5 October 2020, from 9:00 a.m. to 5:00 p.m. on Tuesday, 6 October 2020, from 9:00 a.m. to 5:00 p.m. on Wednesday, 7 October 2020, from 9:00 a.m. to 5:00 p.m. on Thursday, 8 October 2020 and from 9:00 a.m. to 12:00 noon on Friday, 9 October 2020.

1. HOW TO APPLY

We will not provide any printed application forms for use by the public.

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:

- (1) apply online through the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or the designated website of the **HK eIPO White Form** Service Provider at www.hkeipo.hk through the **HK eIPO White Form** service

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (2) apply through the **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
- (i) instructing 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; or
 - (ii) (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (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 CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you apply through channel (1) above, the Public Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Public Offer Shares successfully applied for will 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.

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. Our Company, the Joint Bookrunners, 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 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 laws and regulation to subscribe for the Public Offer Shares).

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 applying for the Public Offer Shares online by instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application 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, the Company and the Sole Sponsor, the Joint Bookrunners and Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

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 the Company and/or any its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are a connected person or a core connected person (both as defined in the GEM Listing Rules) of the Company or will become a connected person or a core connected person of the Company immediately upon completion of the Share Offer;
- are an associate or a close associate (both as defined in the GEM Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest in any Placing Shares or otherwise participate in the Placing.

3. TERMS AND CONDITIONS OF AN APPLICATION

By applying through the application channels specified in this prospectus, among other things, you:

- undertake to execute all relevant documents and instruct and authorise our Company, the Sole Sponsor and/or 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, the Memorandum and the Articles of Association;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus, in the **IPO App** and on the designated website under the **HK eIPO White Form** service 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- agree that none of the Company, the Sole Sponsor, the Joint Bookrunners, Joint Lead Managers, the Underwriters, the **HK eIPO White Form** Service Provider, their respective directors, officers, employees, partners, agents, advisers and 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 of the Placing Shares nor participated in the Placing;
- agree to disclose to our Company, our Hong Kong Branch Share Registrar, the 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 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, in the **IPO App** and on the designated website under the **HK eIPO White Form** service;
- 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 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 deposit any share certificate(s) into CCASS and/or 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 specified in the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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;
- 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 person or parties 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 by giving **electronic application instructions** to HKSCC directly or indirectly or through the **HK eIPO White Form** service or by any one as your agent or by any other person; 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 by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

4. MINIMUM APPLICATION AMOUNT AND PERMITTED NUMBERS

Your application through the **HK eIPO White Form** service or the **CCASS EIPO** service must be for a minimum of 2,000 Public Offer Shares and in one of the numbers set out in the following table. You are required to pay the amount next to the number you select.

No. of Public Offer Shares applied for	Amount payable on application (HK\$)	No. of Public Offer Shares applied for	Amount payable on application (HK\$)	No. of Public Offer Shares applied for	Amount payable on application (HK\$)
2,000	3,939.31	80,000	157,572.01	600,000	1,181,790.09
4,000	7,878.60	90,000	177,268.52	700,000	1,378,755.11
6,000	11,817.91	100,000	196,965.02	800,000	1,575,720.12
8,000	15,757.20	150,000	295,447.53	900,000	1,772,685.14
10,000	19,696.51	200,000	393,930.03	1,000,000	1,969,650.15
20,000	39,393.00	250,000	492,412.54	2,000,000	3,939,300.30
30,000	59,089.51	300,000	590,895.05	3,000,000	5,908,950.45
40,000	78,786.01	350,000	689,377.56	4,000,000	7,878,600.60
50,000	98,482.51	400,000	787,860.06	5,000,000 ⁽¹⁾	9,848,250.75
60,000	118,179.01	450,000	886,342.57		
70,000	137,875.52	500,000	984,825.08		

⁽¹⁾ Maximum number of Public Offer Shares you may apply for.

No application for any other number of the Public Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR PUBLIC OFFER SHARES

5. APPLYING THROUGH THE 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 **IPO App** on the designated website at www.hkeipo.hk.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **HK eIPO White Form** service 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.

If you have any question on how to apply through the **HK eIPO White Form** service, you may call the enquiry hotline of our Hong Kong Branch Share Registrar and **HK eIPO White Form** Service Provider, Tricor Investor Services Limited, both at +852 3907-7333, from 9:00 a.m. to 5:00 p.m. on Wednesday, 30 September 2020, from 9:00 a.m. to 1:00 p.m. on Saturday, 3 October 2020, from 9:00 a.m. to 5:00 p.m. on Monday, 5 October 2020, from 9:00 a.m. to 5:00 p.m. on Tuesday, 6 October 2020, and from 9:00 a.m. to 5:00 p.m. on Wednesday, 7 October 2020, from 9:00 a.m. to 5:00 p.m. on Thursday, 8 October 2020 and from 9:00 a.m. to 12:00 noon on Friday, 9 October 2020.

Time for submitting applications under the HK eIPO White Form service

You may submit your application to the **HK eIPO White Form** Service Provider online through the **IPO App** (which can be downloaded by searching “**IPO App**” in App Store or Google Play or downloaded at www.hkeipo.hk/IPOApp or www.tricorglobal.com/IPOApp) or the designated website of the **HK eIPO White Form** Service Provider at www.hkeipo.hk through the **HK eIPO White Form** service (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 30 September 2020 until 11:30 a.m. on Friday, 9 October 2020 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 9 October 2020 or such later time under the “Effect of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **HK eIPO White Form** service, 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 the **HK eIPO White Form** service 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, the 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 THROUGH CCASS EIPO SERVICE

General

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. 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 Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (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 CCASS Investor Participants through HKSCC's Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Bookrunners, the Joint Lead Managers and our Hong Kong Branch Share Registrar.

Applying through CCASS EIPO Service

Where you have applied through **CCASS EIPO** service (either indirectly through a **broker** or **custodian** or directly) and an application is made 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 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (If the electronic application 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 the Company, the Directors and the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers 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 the Company to place HKSCC Nominees' name on the 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;
- agree that none of the Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and 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 the Company, our Hong Kong Branch Share Registrar, the receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 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 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 the Company's announcement of the Public Offer 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 the giving **electronic application instructions** to apply for Public Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the 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 the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of applying through CCASS EIPO service

By applying through **CCASS EIPO** service, 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 the Company or any other person in respect of the things mentioned below:

- 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;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the 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 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 the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions ⁽¹⁾

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

Wednesday, 30 September 2020	– 9:00 a.m. to 8:30 p.m.
Saturday, 3 October 2020	– 8:00 a.m. to 1:00 p.m.
Monday, 5 October 2020	– 8:00 a.m. to 8:30 p.m.
Tuesday, 6 October 2020	– 8:00 a.m. to 8:30 p.m.
Wednesday, 7 October 2020	– 8:00 a.m. to 8:30 p.m.
Thursday, 8 October 2020	– 8:00 a.m. to 8:30 p.m.
Friday, 9 October 2020	– 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 30 September 2020 until 12:00 noon on Friday, 9 October 2020 (24 hours daily, except on Friday, 9 October 2020, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, 9 October 2020, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

Note:

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

If you are instructing 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 are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the 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 following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Branch Share Registrar, the receiving banker, the Sole Sponsor, 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. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Public Offer Shares, of the policies and practices of us and our Hong Kong Branch Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the collection of your personal data

It is necessary for applicants and registered holders of the Public Offer Shares to supply correct personal data to us or our agents and the Hong Kong Branch Share Registrar when applying for the Public Offer Shares or transferring the Public Offer Shares into or out of their names or in procuring the services of the Hong Kong Branch Share Registrar. Failure to supply the requested data may result in your application for the Public Offer Shares being rejected, or in delay or the inability of us or our Hong Kong Branch Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Public Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled. It is important that the holders of the Public Offer Shares inform us and the Hong Kong Branch Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund check, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Public Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of our Shares including, where applicable, HKSCC Nominees;
- maintaining or updating our register of members;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- verifying identities of the holders of our Shares;
- establishing benefit entitlements of holders of our Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from us and our subsidiaries;
- compiling statistical information and profiles of the holder of our Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable us and the Hong Kong Branch Share Registrar to discharge our or their obligations to holders of our Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of personal data

Personal data held by us and our Hong Kong Branch Share Registrar relating to the holders of the Public Offer Shares will be kept confidential but we and our Hong Kong Branch Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- our appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Public Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to us or the Hong Kong Branch Share Registrar in connection with their respective business operation;
- the Hong Kong Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Public Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers etc.

Retention of personal data

We and our Hong Kong Branch Share Registrar will keep the personal data of the applicants and holders of the Public Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Access to and correction of personal data

Holders of the Public Offer Shares have the right to ascertain whether we or the Hong Kong Branch Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. We and the Hong Kong Branch Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to us, at our registered address disclosed in the section headed “Corporate Information” in this prospectus or as notified from time to time, for the attention of the secretary, or our Hong Kong Branch Share Registrar for the attention of the privacy compliance officer.

7. WARNING FOR ELECTRONIC APPLICATIONS

The application for the Public Offer Shares by **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) is only a facility provided to CCASS Participants. Similarly, the application for the Public Offer Shares through the **HK eIPO White Form** service is only a facility provided by the **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 day for applications to make your electronic application. Our Company, the 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 applying through **CCASS EIPO** service or person applying through the **HK eIPO White Form** service will be allocated any 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 go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12 noon on Friday, 9 October 2020.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your **broker** or **custodian**) or through the **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**), and the number of Public Offer Shares applied 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 behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR PUBLIC OFFER SHARES

If an application is made by an unlisted company and:

- (i) the principal business of that company is dealing in securities; and
- (ii) 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).

9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The maximum Offer Price is HK\$1.95 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 2,000 Public Offer Shares, you will pay HK\$3,939.31.

You must pay the maximum Offer Price, together with brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, in full upon application for the Public Offer Shares.

You may submit an application through the **HK eIPO White Form** service or the **CCASS EIPO** service in respect of a minimum of 2,000 Public Offer Shares. If you make an **electronic application instruction** for more than 2,000 Public Offer Shares, the number of Public Offer Shares you apply for must be in one of the specified numbers set out in “4. Minimum Application Amount and Permitted Numbers” in this section.

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).

10. EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,
- Extreme Conditions,

HOW TO APPLY FOR PUBLIC OFFER SHARES

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 9 October 2020. 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 or Extreme Conditions 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 Friday, 9 October 2020 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 “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The 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 on Thursday, 15 October 2020 on the Company’s website at www.truepartnercapital.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers (where appropriate) of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at www.truepartnercapital.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 15 October 2020;
- from “IPO Results” function in the **IPO App** or the designated results of allocations website at www.tricor.com.hk/ipo/result (or www.hkeipo.hk/IPOResult) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 15 October 2020 to 12:00 midnight on Wednesday, 21 October 2020; and
- by telephone enquiry line by calling 3691-8488 between 9:00 a.m. and 5:00 p.m. from Thursday, 15 October 2020 to Tuesday, 20 October 2020.

If our Company accepts your offer to purchase (in whole or in part), which it 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 of the Share Offer” of 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

(i) If your application is revoked:

By applying through the **CCASS EIPO** service or through 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 Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

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 will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be 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 or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners, the Joint Lead Managers, 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.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- 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;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** on the designated website at www.hkeipo.hk;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Bookrunners, or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 100% of the Public Offer Shares initially offered under the Public Offer.

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\$1.95 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure of the Share Offer — 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 the 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 or before Thursday, 15 October 2020.

14. DISPATCH/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 through the **CCASS EIPO** service where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. Subject to arrangement on despatch/collection of Share certificates and refund checks as mentioned below, any refund checks and Share certificate(s) are expected to be posted on or around Thursday, 15 October 2020. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of check(s) or banker's cashier order(s).

HOW TO APPLY FOR PUBLIC OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Friday, 16 October 2020, provided that the Share Offer has become unconditional in all respects at or before that time.

Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

(i) If you apply through the HK eIPO White Form Service

If you apply for 1,000,000 Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 15 October 2020, or such other date as notified by the Company in the newspapers as the date of dispatch/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.

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 or before Thursday, 15 October 2020 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 dispatched 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 dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(ii) If you apply through the CCASS EIPO service

Allocation of Public Offer Shares

For the purposes of allocating 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, 15 October 2020, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the 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 in the manner specified in “11. Publication of Results” above on Thursday, 15 October 2020. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 15 October 2020, 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 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, 15 October 2020. 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 and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the 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, 15 October 2020.

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, 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 or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the 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 advisors 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 for the sole purpose of inclusion in this prospectus, from the independent reporting accountant, PKF Hong Kong Limited, Certified Public Accountants, Hong Kong.

大信梁學濂(香港)會計師事務所有限公司



26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF TRUE PARTNER CAPITAL HOLDING LIMITED AND ALLIANCE CAPITAL PARTNERS LIMITED

INTRODUCTION

We report on the historical financial information of True Partner Capital Holding Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) set out on pages IA-5 to IA-51, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2018, 31 December 2019 and 31 March 2020, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the “**Track Record Period**”), and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). This Historical Financial Information set out on pages IA-5 and IA-51 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 September 2020 (the “**Prospectus**”) in connection with the initial listing of shares of the Company on the GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

DIRECTORS' RESPONSIBILITIES FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of 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’ Reports on Historical Financial Information in Investment 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 gives a true and fair view in accordance with the basis of preparation set out in note 2.1 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 of the Company, 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 purposes of the accountants' report, a true and fair view of the financial position of the Company and the consolidated financial position of the Group as at 31 December 2018, 31 December 2019 and 31 March 2020 and of its consolidated financial performance and cash flows for the Track Record Period in accordance with the basis of the preparation set out in note 2.1 to the Historical Financial Information.

REVIEW OF STUB PERIOD COMPARATIVE HISTORICAL FINANCIAL INFORMATION

We have reviewed the stub period comparative historical financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2019 and other explanatory information (together the "Stub Period Comparative Historical Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Historical Financial Information in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Historical 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 inquiries, 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 Comparative Historical Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2.1 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES
ON GEM OF THE STOCK EXCHANGE 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 IA-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No financial statements for the Company

No financial statements have been prepared for the Company since its date of incorporation.

PKF Hong Kong Limited

Certified Public Accountants

Hong Kong

30 September 2020

I. HISTORICAL FINANCIAL INFORMATION**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the HKICPA and were audited by PKF Hong Kong Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “**Underlying Financial Statements**”)

The Historical Financial Information is presented in Hong Kong dollars (“**HK\$**”) and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		Three months ended 31 March	
		2018	2019	2019	2020
	Note	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Revenue	5	158,171	44,478	8,744	49,598
Other income	5	20	289	85	55
Direct costs		(11,747)	(6,894)	(1,446)	(2,794)
Fair value gain/(loss) on financial assets at fair value through profit or loss		275	(1,222)	(183)	2,392
General and administrative expenses		(48,887)	(49,716)	(10,711)	(22,500)
Listing expense		–	(7,495)	–	(10,598)
Finance costs	6	(3)	(135)	(1)	(37)
Profit/(loss) before income tax	7	97,829	(20,695)	(3,512)	16,116
Income tax expense	10	(12,803)	(382)	(54)	(5,284)
Profit/(loss) for the year/period		85,026	(21,077)	(3,566)	10,832
Other comprehensive loss					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of foreign operations		(165)	–	2	(10)
Item that will not be reclassified to profit or loss:					
Fair value loss on financial assets designated at fair value through other comprehensive income		(5,149)	(1,059)	(302)	(1,181)
Other comprehensive loss		(5,314)	(1,059)	(300)	(1,191)
Total comprehensive income/(loss) for the year/period		79,712	(22,136)	(3,866)	9,641
Profit/(loss) for the year/period attributable to:					
Owners of the Company		84,030	(21,756)	(3,676)	10,644
Non-controlling interest		996	679	110	188
		85,026	(21,077)	(3,566)	10,832
Total comprehensive income/(loss) for the year/period attributable to:					
Owners of the Company		78,716	(22,815)	(3,976)	9,453
Non-controlling interest		996	679	110	188
		79,712	(22,136)	(3,866)	9,641

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December		At 31 March
		2018	2019	2020
	Note	HK\$'000	HK\$'000	HK\$'000
Non-current assets				
Plant and equipment	13	440	1,849	1,731
Right-of-use assets	14	–	3,555	3,161
Intangible assets	15	16	59	52
Investment in an associate	16	–	–	–
Financial assets at fair value through profit or loss	17	8,025	18,428	20,820
Financial assets at fair value through other comprehensive income	18	4,797	3,738	2,557
		<u>13,278</u>	<u>27,629</u>	<u>28,321</u>
Current assets				
Accounts receivable	19	67,535	6,797	49,887
Other receivables	20	3,006	4,867	4,431
Deposits placed with a broker		189	173	204
Amount due from an associate	21	683	471	184
Tax recoverable		–	1,853	329
Cash and cash equivalents	22	55,946	69,765	48,480
		<u>127,359</u>	<u>83,926</u>	<u>103,515</u>
Current liabilities				
Payable to a broker		121	97	100
Accruals and other payables	23	19,885	10,876	29,235
Financial liabilities at fair value through profit or loss	17	2	2	2
Lease liabilities	24	–	1,624	1,640
Tax payable		12,772	11,112	3,790
		<u>32,780</u>	<u>23,711</u>	<u>34,767</u>
Net current assets		<u>94,579</u>	<u>60,215</u>	<u>68,748</u>
Total assets less current liabilities		107,857	87,844	97,069
Non-current liability				
Lease liabilities	24	–	2,123	1,707
Net assets		<u>107,857</u>	<u>85,721</u>	<u>95,362</u>
Capital and reserves				
Share capital	25	32,486	32,486	32,486
Reserves	27	71,392	48,577	58,030
		103,878	81,063	90,516
Non-controlling interests		<u>3,979</u>	<u>4,658</u>	<u>4,846</u>
Total equity		<u>107,857</u>	<u>85,721</u>	<u>95,362</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Reserves							Total	Non-controlling interests	Total equity
	Share capital <i>(Note (i))</i> <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Group reorganisation reserve <i>(Note (i))</i> <i>HK\$'000</i>	Exchange reserve <i>(Note (i))</i> <i>HK\$'000</i>	Fair value reserve <i>(Notes (i), (ii))</i> <i>HK\$'000</i>	Capital reserve <i>(Notes (i), (iii))</i> <i>HK\$'000</i>	(Accumulated			
							losses)/ retained profits <i>HK\$'000</i>			
At 1.1.2018	32,486	-	1,145	113	3,946	7,234	(19,762)	25,162	2,983	28,145
Effect of Reorganisation - Note 2.1 and 25	(32,484)	32,484	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	-	84,030	84,030	996	85,026
Other comprehensive loss	-	-	-	(165)	(5,149)	-	-	(5,314)	-	(5,314)
Total comprehensive income for the year	-	-	-	(165)	(5,149)	-	84,030	78,716	996	79,712
At 31.12.2018 and 1.1.2019	2	32,484	1,145	(52)	(1,203)	7,234	64,268	103,878	3,979	107,857
Loss for the year	-	-	-	-	-	-	(21,756)	(21,756)	679	(21,077)
Other comprehensive loss	-	-	-	-	(1,059)	-	-	(1,059)	-	(1,059)
Total comprehensive loss for the year	-	-	-	-	(1,059)	-	(21,756)	(22,815)	679	(22,136)
At 31.12.2019	2	32,484	1,145	(52)	(2,262)	7,234	42,512	81,063	4,658	85,721

	Reserves							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Group reorganisation reserve	Exchange reserve	Fair value reserve	Capital reserve	Retained profits			
	(Note (i)) HK\$'000	HK\$'000	(Note (i)) HK\$'000	(Note (i)) HK\$'000	(Notes (i), (ii)) HK\$'000	(Notes (i), (iii)) HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1.1.2019	2	32,484	1,145	(52)	(1,203)	7,234	64,268	103,878	3,979	107,857
Loss for the period	-	-	-	-	-	-	(3,676)	(3,676)	110	(3,566)
Other comprehensive loss	-	-	-	2	(302)	-	-	(300)	-	(300)
Total comprehensive loss for the period	-	-	-	2	(302)	-	(3,676)	(3,976)	110	(3,866)
At 31.3.2019 (unaudited)	2	32,484	1,145	(50)	(1,505)	7,234	60,592	99,902	4,089	103,991
At 1.1.2020	2	32,484	1,145	(52)	(2,262)	7,234	42,512	81,063	4,658	85,721
Profit for the period	-	-	-	-	-	-	10,644	10,644	188	10,832
Other comprehensive loss	-	-	-	(10)	(1,181)	-	-	(1,191)	-	(1,191)
Total comprehensive income for the period	-	-	-	(10)	(1,181)	-	10,644	9,453	188	9,641
At 31.3.2020	2	32,484	1,145	(62)	(3,443)	7,234	53,156	90,516	4,846	95,362

Notes:

- (i) As more fully explained in Note 2.1 to the consolidated financial statements, these consolidated financial statements are a continuation of True Partner Singapore Holding Pte. Ltd. for the period from 1 January 2018 to 23 November 2018, these components of equity reflect the capital structure of True Partner Singapore Holding Pte. Ltd. and following the Reorganisation, these components of equity reflect the capital structure of the Company.
- (ii) Fair value reserve represents the cumulative net change in the fair value of financial assets at fair value through other comprehensive income.
- (iii) Capital reserve represents equity transaction between the Group and the non-controlling interests in prior years.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Cash flows from operating activities				
Profit/(loss) before income tax	97,829	(20,695)	(3,512)	16,116
Adjustments for:				
Fair value (gain)/loss arising from financial instruments				
at fair value through profit or loss	(275)	1,222	183	(2,392)
Amortisation of intangible assets	24	18	6	7
Depreciation of plant and equipment	495	755	128	224
Depreciation of right-of-use assets	–	1,190	–	394
Interest income	(9)	(18)	(6)	–
Interest expense	3	135	1	37
Currency translation adjustment	40	13	19	5
Operating profit/(loss) before working capital changes	98,107	(17,380)	(3,181)	14,391
Changes in working capital:				
Accounts receivables	(63,415)	60,738	67,535	(43,090)
Other receivables	(763)	(1,861)	(4,368)	436
Deposits placed with a broker	767	16	104	(31)
Amount due from an associate	–	199	(38)	282
Payable to a broker	46	(24)	(121)	3
Accruals and other payables	17,318	(9,009)	(14,851)	18,359
Cash generated from/(used in) operations	52,060	32,679	45,080	(9,650)
Interest received	9	18	6	–
Hong Kong profits tax refunded/(paid)	339	(1,221)	–	(11,082)
Overseas income tax paid	–	(2,674)	–	–
Net cash generated from/(used in) operating activities	<u>52,408</u>	<u>28,802</u>	<u>45,086</u>	<u>(20,732)</u>
Cash flows from investing activities				
Acquisition of financial assets at fair value through profit or loss	(7,750)	(11,625)	(11,625)	–
Purchases of plant and equipment	(208)	(2,164)	(485)	(106)
Purchases of software	–	(61)	–	–
Net cash used in investing activities	<u>(7,958)</u>	<u>(13,850)</u>	<u>(12,110)</u>	<u>(106)</u>

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Cash flows from financing activities				
Principal element of lease rentals payment	–	(998)	–	(400)
Interest element of lease rentals payment	–	(131)	–	(36)
Interest paid	<u>(3)</u>	<u>(4)</u>	<u>(1)</u>	<u>(1)</u>
Net cash used in financing activities	<u>(3)</u>	<u>(1,133)</u>	<u>(1)</u>	<u>(437)</u>
Net increase/(decrease) in cash and cash equivalents	44,447	13,819	32,975	(21,275)
Cash and cash equivalents as at beginning of the year/period	11,664	55,946	55,946	69,765
Effect of foreign exchange rate changes	<u>(165)</u>	<u>–</u>	<u>–</u>	<u>(10)</u>
Cash and cash equivalents as at end of the year/period	<u><u>55,946</u></u>	<u><u>69,765</u></u>	<u><u>88,921</u></u>	<u><u>48,480</u></u>
Analysis of the balance of cash and cash equivalents				
Cash at bank	<u><u>55,946</u></u>	<u><u>69,765</u></u>	<u><u>88,921</u></u>	<u><u>48,480</u></u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	At 31 December		At 31 March
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Non-current asset			
Investments in subsidiaries	<u>—</u>	<u>32,486</u>	<u>32,486</u>
Current assets			
Other receivables	—	1,527	—
Amounts due from shareholders	32,486	—	—
Cash and cash equivalents	<u>—</u>	<u>18</u>	<u>97</u>
	<u>32,486</u>	<u>1,545</u>	<u>97</u>
Current liabilities			
Accruals and other payables	73	2,548	14,871
Amount due to a subsidiary	<u>—</u>	<u>7,176</u>	<u>15,062</u>
	<u>73</u>	<u>9,724</u>	<u>29,933</u>
Net current assets/(liabilities)	<u>32,413</u>	<u>(8,179)</u>	<u>(29,836)</u>
Net assets	<u><u>32,413</u></u>	<u><u>24,307</u></u>	<u><u>2,650</u></u>
Representing:			
Share capital	32,486	32,486	32,486
Reserves	<u>(73)</u>	<u>(8,179)</u>	<u>(29,836)</u>
Total equity	<u><u>32,413</u></u>	<u><u>24,307</u></u>	<u><u>2,650</u></u>

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. Corporate information

The Company is a limited liability company incorporated in the Cayman Islands. The registered office is located at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands and its principal place of business is located at Suites 2902-03, 29/F., Tower 2, The Gateway, Harbour City, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries now comprising the Group (the "Group") are principally engaged in fund management business and providing consultancy services.

The Company and its subsidiaries now comprising the Group underwent a group reorganisation (the "Reorganisation") as set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. Apart from the Reorganisation, the Company had not commenced any business or operation since its incorporation.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct and indirect interests in the following subsidiaries and the particulars of which are set out below:

Name of subsidiary	Note	Place of incorporation	Issued and fully paid-up capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
				2018	2019	
<i>Held by the Company</i>						
True Partner Holding Limited	(a)	Hong Kong	HK\$27,643,260	100%	100%	Investment holding and provision of management services
True Partner Singapore Holding Pte. Ltd.	(b)	Singapore	HK\$32,486,300	100%	100%	Investment holding
<i>Held by the subsidiaries</i>						
Chengdu HuLi Management Consulting Limited (“CHMC”)	(c), (f)	People’s Republic of China	RMB3,500,000	N/A	100%	Providing business consultancy services
T8 Software Consulting Limited	(a)	Hong Kong	HK\$1	100%	100%	Software sublicense and providing consultancy services
True Partner Advisor Limited	(a)	The Cayman Islands	US\$1	100%	100%	Acting as an investment manager
True Partner Advisor Hong Kong Limited	(a)	Hong Kong	HK\$500,000	51%	51%	Providing investment management services
True Partner Capital Limited	(a)	Hong Kong	HK\$1	100%	100%	Inactive
True Partner Capital USA Holding, Inc.	(d)	United States	US\$10	100%	100%	Providing investment management services and investment holding

Name of subsidiary	Note	Place of incorporation	Issued and fully paid-up capital/registered capital	Percentage of equity interest attributable to the Company		Principal activities
				2018	2019	
True Partner Capital USA, LLC	(d)	United States	US\$692,000	100%	100%	Providing investment management services
True Partner China Holding Limited	(a)	Hong Kong	HK\$3,150,000	100%	100%	Investment holding and provision of software development and supporting services
True Partner Consulting Limited (formerly known as True Partner Education Limited)	(a)	Hong Kong	HK\$100	100%	100%	Provision of training courses and seminars services
True Partner Onshore Fund GP, LLC	(e), (f)	United States	Nil	N/A	100%	Acting as the general partner of a fund
True Partner Research Hong Kong Limited	(a)	Hong Kong	HK\$100	100%	100%	Providing consultancy services
True Partner Volatility Fund GP, LLC	(e)	United States	Nil	99%	99%	Acting as the general partner of a fund

Notes:

- (a) The audited financial statements of these subsidiaries for the years ended 31 December 2018 and 31 December 2019 were prepared in accordance with the relevant accounting principles and financial regulations applicable to their jurisdiction and were audited by PKF Hong Kong Limited.
- (b) The audited financial statements for this subsidiary for the years ended 31 December 2018 and 31 December 2019 were prepared in accordance with the relevant accounting principles and financial regulations applicable to its jurisdiction and were audited by PKF-CAP LLP.
- (c) The audited financial statements for the period from 2 April 2019 (date of incorporation) to 31 December 2019 were prepared in accordance with the relevant accounting principles and financial regulations applicable to its jurisdiction and were audited by Shenzhen Ping Fu Certified Public Accountants.
- (d) The audited financial statements of these subsidiaries for the years ended 31 December 2018 and 31 December 2019 were prepared in accordance with the relevant accounting principles and financial regulations applicable to their jurisdiction and were audited by PKF O'Connor Davies, LLP.
- (e) No audited financial statements have been prepared for these subsidiaries as it is not required to issue audited financial statements under the statutory requirements of their place of incorporation.
- (f) These subsidiaries are established during the year ended 31 December 2019.

2.1 Basis of preparation

The Company was incorporated in the Cayman Islands on 23 November 2018 for the purpose of acting as a listing vehicle. On 26 June 2019, each of the shareholders of True Partner Singapore Holding Pte. Ltd., the then holding company of the Group, transferred all of their respective shares, representing the entire issued share capital of True Partner Singapore Holding Pte. Ltd., to the Company in consideration of the issue and allotment by the Company of the same number of their respective shares in True Partner Singapore Holding Pte. Ltd. by the Company. Accordingly, there was no change in control before and after the reorganisation, the Company was owned by the same shareholders and in the same shareholdings as True Partner Singapore Holding Pte. Ltd. Immediately after such transfer, True Partner Singapore Holding Pte. Ltd. was entirely owned by the Company.

As the reorganisation involved inserting a new holding entity on top of True Partner Singapore Holding Pte. Ltd., and has not resulted in any changes of economic substances of its business, the financial information for the Group during the Track Record Period has been prepared as a continuation of True Partner Singapore Holding Pte. Ltd.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of True Partner Singapore Holding Pte. Ltd. were included throughout the Track Record Period.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong.

The Historical Financial Information have been prepared on the historical cost basis, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are carried at fair value.

The preparation of Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 3.

All HKFRSs effective for the accounting period commencing from 1 January 2020, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Track Record Period.

2.2 Issued but not yet effective HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to HKFRS 16	Covid-19 Related Rent Concession ¹
HKFRS 17	Insurance Contracts ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to HKAS 16	Property, plant and equipment: Proceeds before intended use ³
Amendments to HKAS 37	Onerous contract – cost of fulfilling a contract ³
Annual Improvements to HKFRS standards 2018 – 2020 ³	
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

- 1 Effective for annual periods beginning on or after 1 June 2020
- 2 Effective for annual periods beginning on or after 1 January 2021
- 3 Effective for annual periods beginning on or after 1 January 2022
- 4 Effective for annual periods beginning on or after a date to be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments.

According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

2.3 Summary of significant accounting policies

(a) *Basis of consolidation*

The consolidated financial statements present the financial information of the Company and entities controlled by the Company as if they are a single economic entity. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the consolidated statement of profit or loss and other comprehensive income from the date that control commenced or up to the date that control ceased. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Changes in the ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. When a subsidiary is derecognised for loss of control, any investment retained in the former subsidiary is initially measured at its fair value at the date when control is lost.

(b) *Subsidiaries*

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 consolidated into the consolidated 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 consolidated 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 their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement 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 consolidated statement 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 consolidated 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 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the statement of financial position of the Company, investments in subsidiaries are stated at cost less impairment losses.

(c) Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations”. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group’s share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associates other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group’s share of losses of an associate exceeds the Group’s interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group’s consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

(d) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is charged to profit or loss in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

Depreciation is calculated to write off the cost of plant and equipment on a straight-line basis over their estimated useful lives:

Furniture and fixtures	– 20% to 33 ¹ /3%
Computer equipment	– 33 ¹ /3% to 50%
Office equipment	– 20% to 33 ¹ /3%
Leasehold improvements	– over the lease term

Gain or loss arising from the retirement or disposal of an asset is determined as the difference between the estimated net sale proceeds and the carrying amount of the asset and is recognised in profit or loss at the date of retirement or disposal.

(e) Intangible assets

Intangible assets represent licence cost of software and cost of self-developed software.

Intangible asset is stated at cost less accumulated amortisation and impairment losses.

Amortisation is calculated using the straight-line method to allocate the cost over the estimated useful life of 3 years. At the end of each reporting period, the Group reviews the carrying amount of its intangible asset to determine whether there is any indication that the intangible asset has suffered an impairment loss.

(f) Financial assets

The Company classifies its financial assets into one of the following measurement categories at initial recognition as subsequently measured at: FVPL, amortised cost and FVOCI. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments, or the election of fair value option. All financial assets are recognised initially at fair value. Except for financial assets carried at FVPL, all transaction costs of financial assets are included in their initial carrying amounts.

Financial assets at fair value through profit or loss

A financial asset which has been acquired or incurred principally for the purpose of selling in the short term or is 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 is classified as held for trading. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

These assets are recognised initially at fair value, with transaction costs taken directly to the profit or loss, and are subsequently re-measured at fair value.

Gains and losses from changes in the fair value of such assets (excluding the interest component) are reported in net trading gain/loss or net gain/loss on financial instruments designated at FVPL. The interest component is reported as part of the interest income. Dividends on equity instruments of this category are also recognised in net trading gain/loss or net gain/loss on financial instruments designated at FVPL when the Group's right to receive payment is established.

Financial assets at amortised cost

Financial assets are classified as subsequently measured at amortised cost if both of the following conditions are met: (i) the financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows ("hold-to-collect" business model), and (ii) the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates. They are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method less allowances for impairment losses. Interest income which includes the amortisation of premium or discount is calculated using the effective interest method and is recognised in the profit or loss, gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVOCI

Debt instruments are classified as subsequently measured at FVOCI if both of the following conditions are met: (i) the financial assets are held within a business model with the objective of both holding to collect contractual cash flows and selling, and (ii) the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

Financial assets at FVOCI are initially recognised at fair value plus any directly attributable transaction costs, and are subsequently measured at fair value. Unrealised gains or losses arising from changes in the fair value of the financial assets are recognised directly in other comprehensive income, until the financial asset is derecognised or impaired at which time the accumulated gain or loss previously recognised in equity should be transferred to the profit or loss. However, interest income which includes the amortisation of premium and discount is calculated using the effective interest method and is recognised in the profit or loss.

For equity investments, an irrevocable election can be made at initial recognition to recognise unrealised and realised fair value gains or losses in other comprehensive income without subsequent reclassification of fair value gains or losses to the profit or loss even upon disposal. Dividends on equity instruments classified as FVOCI are recognised in other operating income when the Group's right to receive payment is established. Equity instruments designated at FVOCI are not subject to impairment assessment.

(g) Receivables

Receivables are recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before the payment of consideration is due. They are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less allowance for expected credit losses.

(h) Expected credit losses ("ECLs")

(i) ECLs from receivables

Loss allowances for lifetime expected credit losses on accounts receivable are estimated with reference to historical percentages of bad debts recognised to relevant revenue from customers, adjusted for forward-looking factors specific to the customers and the economic environment which could affect customers' ability to pay and are recognised only when the amounts are material.

Loss allowances for lifetime expected credit losses on other receivables measured at amortised cost are recognised if contractual payments are more than 30 days past due, unless there is reasonable and supportable information that credit risk has not increased significantly, estimated by the probability-weighted present value of all expected cash shortfalls over the expected life of the instrument. In the absence of a significant increase in credit risk since initial recognition, loss allowances for 12-month expected credit losses are estimated by the probability-weighted present value of expected cash shortfalls within 12 months after the reporting date and are recognised only when the amounts are material.

(ii) ECLs from financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

When the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for

the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss.

Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of guarantee as income from financial guarantees issued.

The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when ECLs on the financial guarantees are determined to be higher than the amount recognised as deferred income within other payables in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured.

(i) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that these non-financial assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of 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 risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the non-financial asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation increase.

(j) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Payables and accruals

Payables and accruals are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, unless the effect of discounting would be immaterial in which case they are stated at cost.

(l) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures 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 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 is remote.

(m) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, on the following basis:

- (i) Management and performance fee income is recognised over time with reference to time elapsed, which faithfully depicts the relative value of the services provided to customer to date. Management fee is determined based on the net assets value under management. Performance fee is receivable if and when certain conditions are met. The performance fee is variable consideration which is only included in the transaction price if it is highly probable that the amount of revenue recognised would not be subject to significant future reversals as a result of subsequent re-estimation;
- (ii) Consultancy service fee income is recognised at a point in time when the relevant services have been rendered;
- (iii) Dividend income is recognised when the right to receive payment is established; and
- (iv) Interest income is recognised as it accrues using the effective interest method.

(n) Employee benefits

Salaries, annual bonuses, annual leave entitlements and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

Obligations for contributions to defined contribution retirement plans are recognised as an expense in profit or loss as incurred.

(o) Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes profit or loss items that are never taxable and deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or directly to equity, in which case the deferred tax is also dealt with in other comprehensive income or directly in equity respectively.

(p) Foreign currencies translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entities operate (“**the functional currency**”). These consolidated financial statements are presented in Hong Kong dollar, which is the Company’s functional currency.

(ii) Transactions and balances

Foreign currency transactions during the year are translated into functional currency at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the market exchange rates ruling at the end of the reporting period. Differences arising from foreign currency translation are dealt with in profit or loss.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of that reporting period;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

(q) Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of leasehold land and buildings that has a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight line basis over the lease term.

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

(r) Borrowing costs

Borrowing costs are recognised in profit or loss in the year in which they are incurred.

(s) Related parties

- (a) A person or a close member of that person’s family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) 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 (s)(a) above;
- (vii) a person identified in (s)(a)(i) above 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); and
- (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 parent of the Group.

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.

3. Significant accounting judgements and estimates

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

(a) *Current and deferred taxes*

Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is subject to the agreement by the relevant tax authority. The Group recognises liabilities for such transactions based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when the management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(b) *Impairment of non-financial assets*

The Group has to exercise judgement in determining whether a non-financial asset is impaired or the event previously causing the asset impairment no longer exists, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of a non-financial asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

(c) *Useful life of plant and equipment and intangible assets*

The cost of plant and equipment and intangible assets with definite useful lives are depreciated and are amortised on a straight-line basis over the estimated economic useful lives. Management estimates the useful lives to be within 3 to 5 years. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore, future amortisation and depreciation charges could be revised. The carrying amounts of the plant and equipment and intangible assets at the reporting date are disclosed in Notes 13 and 15 to the consolidated financial statements respectively.

(d) Investment funds managed by the Group

The Group holds a direct interest in one of the funds managed by a subsidiary of the Company. When determining whether the Group controls the fund, the level of aggregate economic interests of the Group in the fund, the subsidiary's scope of decision-making rights and the level of investors' rights to remove the investment manager will be taken into consideration.

In accordance with HKFRS 10, an investor controls an investee if and only if the investor has all of the following elements: (a) power over the investee; (b) exposure, or rights, to variable returns from its involvement with the investee; (c) the ability to use its power over the investee to affect the amount of the investor's returns. As regards whether power is present, the Group will not have power over the fund if the fund manager can be removed at any time. As regards variable returns, all economic interests arising from the funds, including the extent of direct interest in these funds, regular management fee charged and performance fee obtained will be taken into consideration. The Group uses 20% as the point of reference in assessing whether the Group exposes, or has rights, to significant variable returns from our involvement with the investee.

During the Track Record Period, the financials of the funds managed by the Group were not consolidated into the Group's financials because the Group does not have control over these funds taken into account of all the aforementioned elements in accordance with HKFRS 10.

(e) Fair value measurements and valuation process

Some of the Group's assets are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where observable market data are not available, the Group engages independent qualified valuer to perform the valuation and works closely with independent qualified valuer to establish the appropriate valuation techniques and inputs to the model.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. The use of valuation models and assumptions in valuing these financial instruments is subjective and requires varying degrees of judgement.

4. Segment information

Information reported to the executive directors, being the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on revenue for each type of services provided. CODM considers the business from service perspectives whereby assesses the performance of the services based on revenue generated in the course of the ordinary activities of a recurring nature of the Group.

CODM considers the business of the Group as a whole as the Group is primarily engaged in fund management business and consultancy service, however no discrete financial information is available for identifying operating segments among different services, therefore no further analysis of segment information is presented.

(a) Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations in Hong Kong. In order to maximise trading opportunities in different stock markets around the world, the Group also has trading office in Chicago.

Geographical information of revenue for the Track Record Period is as follows:

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Hong Kong	149,550	42,439	8,744	40,684
Chicago	8,621	2,039	–	8,914
	<u>158,171</u>	<u>44,478</u>	<u>8,744</u>	<u>49,598</u>

(b) Information about major customers

During the Track Record Period, revenue from major customers who contributed over 10% of the total revenue of the Group are as follows:

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i>
Customer A	48,673	31,942	7,635	37,389
Customer B	44,147	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾
Customer C	45,518	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾
Customer D	N/A ⁽¹⁾	5,812	N/A ⁽¹⁾	N/A ⁽¹⁾
Customer E	N/A	N/A	N/A ⁽¹⁾	5,579

⁽¹⁾ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. Revenue and other income

An analysis of the Group's revenue and other income is as follows:

Revenue

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i>
Revenue from funds and managed accounts				
Management fee income	17,834	43,576	8,744	14,239
Performance fee income	94,484	8	—	35,359
	112,318	43,584	8,744	49,598
Revenue from consultancy services	45,853	894	—	—
	158,171	44,478	8,744	49,598

Timing of revenue recognition:

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i>
At a point in time	249	894	—	—
Over time	157,922	43,584	8,744	49,598
	158,171	44,478	8,744	49,598

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 and does not disclose information about remaining performance obligations that have original expected duration of one year or less.

As permitted under HKFRS 15 Revenue from Contracts with Customers, the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially satisfied) as of the end of the reporting period has not been disclosed because either of the following conditions is met:

- (i) as those performance obligations are part of customer contracts that have original expected duration of one year or less; or

- (ii) the Group has a right to receive consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date.

Other income

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Interest income	9	18	6	–
Exchange gain, net	–	245	79	55
Sundry income	11	26	–	–
	<u>20</u>	<u>289</u>	<u>85</u>	<u>55</u>

6. Finance costs

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Interest expense on lease liabilities	–	131	–	36
Other finance costs	3	4	1	1
	<u>3</u>	<u>135</u>	<u>1</u>	<u>37</u>

7. Profit/(loss) before income tax

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Profit/(loss) before income tax is arrived at after charging:				
Amortisation of intangible assets	24	18	6	7
Auditor's remuneration	515	514	125	129
Depreciation of plant and equipment	495	755	128	224
Depreciation of right-of-use assets	–	1,190	–	394
Exchange loss, net	204	–	–	–
Employee benefits (including directors' remuneration)				
– Salaries and other benefits	33,071	29,168	5,503	17,763
– Pension scheme contributions	323	689	363	321
	33,394	29,857	5,866	18,084
Listing expense	–	7,495	–	10,598
Short-term lease expenses	<u>2,994</u>	<u>1,539</u>	<u>733</u>	<u>145</u>

8. Directors' remuneration

The remuneration paid or payable to the directors of the Company (including the remuneration for services as directors/employees of the group entities prior to becoming the directors of the Company) by entities now comprising the Group during the Track Record Period are as follows:

	Fees <i>HK\$'000</i>	Salaries and allowances <i>HK\$'000</i>	Pension scheme contributions <i>HK\$'000</i>	Discretionary bonus <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2018					
<i>Executive directors:</i>					
Mr. Van Put	–	2,002	18	2,000	4,020
Mr. Heijboer	–	2,636	18	3,785	6,439
Mr. Hekster	–	2,330	99	2,970	5,399
Mr. Van Bakel	–	1,853	18	2,010	3,881
	<u>–</u>	<u>8,821</u>	<u>153</u>	<u>10,765</u>	<u>19,739</u>
Year ended 31 December 2019					
<i>Executive directors:</i>					
Mr. Van Put	–	3,060	18	850	3,928
Mr. Heijboer	–	3,278	18	600	3,896
Mr. Hekster	–	2,995	151	–	3,146
Mr. Van Bakel	–	1,800	18	300	2,118
	<u>–</u>	<u>11,133</u>	<u>205</u>	<u>1,750</u>	<u>13,088</u>
Three months ended 31 March 2019 (unaudited)					
<i>Executive directors:</i>					
Mr. Van Put	–	738	5	250	993
Mr. Heijboer	–	750	5	–	755
Mr. Hekster	–	699	121	–	820
Mr. Van Bakel	–	450	5	–	455
	<u>–</u>	<u>2,637</u>	<u>136</u>	<u>250</u>	<u>3,023</u>
Three months ended 31 March 2020					
<i>Executive directors:</i>					
Mr. Van Put	–	945	5	–	950
Mr. Heijboer	–	945	5	–	950
Mr. Hekster	–	890	69	–	959
Mr. Van Bakel	–	474	5	–	479
<i>Independent non-executive directors:</i>					
Mr. Jeronimus Mattheus Tielman	31	–	–	–	31
Ms. Wan Ting Pai	31	–	–	–	31
Mr. Ming Tak Ngai	31	–	–	–	31
	<u>93</u>	<u>3,254</u>	<u>84</u>	<u>–</u>	<u>3,431</u>

On 16 March 2020, Mr. Jeronimus Mattheus Tielman, Ms. Wan Ting Pai and Mr. Ming Tak Ngai were appointed as independent non-executive directors.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

9. Five highest paid employees

An analysis of the five highest paid individuals during the Track Record Period is as follows:

	Number of individuals		Three months ended	
	Year ended 31 December		31 March	
	2018	2019	2019	2020
			(Unaudited)	
Director	4	4	4	4
Non-director	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

Details of the directors' remuneration are set out in Note 8 above.

Details of the remuneration of the remaining highest paid non-director individual are as follows:

	Year ended 31 December		Three months ended	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Salaries, allowances and other benefits	1,165	1,383	326	802
Discretionary bonus	1,485	184	–	–
Inducement	–	783	–	–
Pension scheme contributions	<u>81</u>	<u>93</u>	<u>94</u>	<u>–</u>
	<u>2,731</u>	<u>2,443</u>	<u>420</u>	<u>802</u>

During the Track Record Period, no emoluments was paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

During the years ended 31 December 2018 and 2019, the remuneration of the remaining highest paid non-director individual fell within the band of HK\$2,000,001 to HK\$3,000,000.

10. Income tax expense

(a) Income tax expense represents:

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Current tax – Hong Kong				
Provision for the year/period	11,837	250	54	3,553
Over-provision in prior year	(30)	–	–	–
	<u>11,807</u>	<u>250</u>	<u>54</u>	<u>3,553</u>
Current tax – United States				
Provision for the year/period	996	(17)	–	1,731
Under-provision in prior year	–	149	–	–
	<u>996</u>	<u>132</u>	<u>–</u>	<u>1,731</u>
Total income tax expense	<u>12,803</u>	<u>382</u>	<u>54</u>	<u>5,284</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which the group entities are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

For the group entities that are domiciled and operate in Hong Kong, Hong Kong profits tax is provided at the applicable tax rates on its estimated assessable profits for both years. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of estimated assessable profits of qualifying corporations is taxed at 8.25%, and profits above HK\$2 million is taxed at 16.5%. For the years ended 31 December 2018 and 2019 and three months ended 31 March 2020, Hong Kong profits tax is calculated in accordance with the two-tiered profits tax rates regime.

For the group entities that are domiciled and operate in the United States, they are subject to corporate income tax in the United States. The applicable federal income tax rate is 21% on taxable income.

- (b) Income tax expense can be reconciled to the profit/(loss) before income tax as follows:

	Year ended 31 December		Three months ended 31 March	
	2018	2019	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Profit/(loss) before income tax	<u>97,829</u>	<u>(20,695)</u>	<u>(3,512)</u>	<u>16,116</u>
Tax effect at the profits tax rate of 16.5%	16,142	(3,415)	(579)	2,659
Tax effect of income that is not taxable – <i>Note</i>	(20,403)	(7,046)	(1,462)	(434)
Tax effect of expense that is not deductible – <i>Note</i>	20,029	8,730	1,629	2,182
Tax effect of unrecognised decelerated/ (accelerated) tax allowance	21	(69)	(29)	26
Tax effect of unrecognised tax losses	139	2,302	542	530
Tax effect of utilisation of unrecognised tax losses	(3,355)	–	–	–
Tax concession	(245)	(168)	(18)	(37)
(Over)/under-provision in prior year	(30)	149	–	–
Effect of tax rates in foreign jurisdictions	<u>505</u>	<u>(101)</u>	<u>(29)</u>	<u>358</u>
Income tax expense	<u>12,803</u>	<u>382</u>	<u>54</u>	<u>5,284</u>

Note :

Amounts mainly related to income and expenses of a group entity domiciled and operate in the Cayman Islands.

- (c) The components of unrecognised (taxable)/deductible temporary differences are as follows:

	At 31 December		At
	2018	2019	31 March
	HK\$'000	HK\$'000	2020
			HK\$'000
Deductible temporary differences – <i>Note 10(c)(i)</i>			
Unutilised tax loss	8,894	22,845	26,060
Decelerated depreciation allowances	<u>240</u>	<u>8</u>	<u>124</u>
	9,134	22,853	26,184
Taxable temporary difference – <i>Note 10(c)(ii)</i>			
Accelerated depreciation allowances	<u>(164)</u>	<u>(351)</u>	<u>(307)</u>
Net deductible temporary difference	<u>8,970</u>	<u>22,502</u>	<u>25,877</u>

- (i) Deductible temporary differences have not been recognised in these consolidated financial statements owing to the absence of objective evidence in respect of the availability of sufficient taxable profits that are expected to arise to offset against the deductible temporary differences. All unutilised tax losses can be carried forward indefinitely.
- (ii) Taxable temporary difference has not been recognised in these consolidated financial statements owing to immateriality.

11. Dividend

No dividend has been paid or declared by the Company since the date of its incorporation on 23 November 2018.

No dividend was paid or declared by the companies now comprising the Group during the Track Record Period.

12. Earnings per share

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful with regard to the Reorganisation and the presentation of the results for the Track Record Period.

13. Plant and equipment

	Furniture and fixtures HK\$'000	Computer equipment HK\$'000	Office equipment HK\$'000	Leasehold improvements HK\$'000	Total HK\$'000
Cost:					
At 1 January 2018	248	2,329	43	287	2,907
Additions	4	176	–	28	208
Exchange realignment	–	(5)	–	–	(5)
At 31 December 2018 and 1 January 2019	252	2,500	43	315	3,110
Additions	212	837	34	1,081	2,164
At 31 December 2019 and 1 January 2020	464	3,337	77	1,396	5,274
Additions	–	106	–	–	106
At 31 March 2020	464	3,443	77	1,396	5,380
Accumulated depreciation:					
At 1 January 2018	239	1,610	41	287	2,177
Charge for the year	4	485	2	4	495
Exchange realignment	–	(2)	–	–	(2)
At 31 December 2018 and 1 January 2019	243	2,093	43	291	2,670
Charge for the year	50	457	7	241	755
At 31 December 2019 and 1 January 2020	293	2,550	50	532	3,425
Charge for the period	19	110	3	92	224
At 31 March 2020	312	2,660	53	624	3,649
Net carrying value:					
At 31 December 2018	9	407	–	24	440
At 31 December 2019	171	787	27	864	1,849
At 31 March 2020	152	783	24	772	1,731

14. Right-of-use assets

	Office premise <i>HK\$'000</i>
Cost:	
At 1 January 2018, 31 December 2018 and 1 January 2019	–
Additions	<u>4,745</u>
At 31 December 2019, 1 January 2020 and 31 March 2020	<u>4,745</u>
Less: Accumulated depreciation:	
At 1 January 2018, 31 December 2018 and 1 January 2019	–
Charge for the year	<u>1,190</u>
At 31 December 2019 and 1 January 2020	1,190
Charge for the period	<u>394</u>
At 31 March 2020	<u>1,584</u>
Net carrying value:	
At 31 December 2018	<u><u>–</u></u>
At 31 December 2019	<u><u>3,555</u></u>
At 31 March 2020	<u><u>3,161</u></u>

The Group leases various offices for its operations. Lease contracts are entered into for fixed term of four months to three years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group is not allowed to sublet the premise unless prior approval is given by the landlord in writing.

Lease contracts with lease term of one year or less are classified as short-term leases. Lease contracts with lease term of more than one year is reflected on the consolidated statement of financial position as right-of-use assets and lease liabilities.

15. Intangible assets

	Cost of self-developed software <i>HK\$'000</i>	Software <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At 1 January 2018, 31 December 2018 and 1 January 2019	3,212	74	3,286
Additions	<u>–</u>	<u>61</u>	<u>61</u>
At 31 December 2019, 1 January 2020 and 31 March 2020	<u>3,212</u>	<u>135</u>	<u>3,347</u>
Less: Accumulated amortisation:			
At 1 January 2018	3,212	34	3,246
Charge for the year	<u>–</u>	<u>24</u>	<u>24</u>
At 31 December 2018 and 1 January 2019	3,212	58	3,270
Charge for the year	<u>–</u>	<u>18</u>	<u>18</u>
At 31 December 2019 and 1 January 2020	3,212	76	3,288
Charge for the period	<u>–</u>	<u>7</u>	<u>7</u>
At 31 March 2020	<u>3,212</u>	<u>83</u>	<u>3,295</u>
Net carrying value:			
At 31 December 2018	<u>–</u>	<u>16</u>	<u>16</u>
At 31 December 2019	<u>–</u>	<u>59</u>	<u>59</u>
At 31 March 2020	<u>–</u>	<u>52</u>	<u>52</u>

16. Investment in an associate

	At 31 December		At
	2018	2019	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of an unlisted investment in an associate	4,727	4,727	4,727
Share of result	(179)	(179)	(179)
Accumulated impairment loss	(4,520)	(4,520)	(4,520)
Exchange realignment	<u>(28)</u>	<u>(28)</u>	<u>(28)</u>
	<u>–</u>	<u>–</u>	<u>–</u>

Notes:

- (a) As at 31 December 2018, 31 December 2019 and 31 March 2020, the Group had interests in the following associate established and operating in the People's Republic of China.

Name of associate	Registered capital	Percentage of ownership interest held directly	Principal activities
		by the Group	
群益志投科技(成都)有限公司 (Capital True Partner Technology Co., Ltd.)	RMB1,000,000	49%	Provision of IT software services

- (b) Summarised financial information of the associate are as follows:

	At 31 December		At
	2018	2019	31 March
	HK\$'000	HK\$'000	2020
			HK\$'000
Gross amounts of the associate's			
Current assets	1,155	1,474	1,170
Non-current assets	409	832	1,000
Current liabilities	1,092	1,218	794
Non-current liabilities	—	75	—
Net assets	<u>472</u>	<u>1,013</u>	<u>1,376</u>
			Three months
			ended 31
			March
			2020
			HK\$'000
Revenue	5,375	5,848	1,480
Profit for the year/period	656	559	390
Other comprehensive income	—	—	—
Total comprehensive income for the year/period	<u>656</u>	<u>559</u>	<u>390</u>

Reconciliation of the annual results of the associate to the share of result of an associate per consolidated statement of profit or loss and other comprehensive income is as follows:

	Year ended 31 December		Three months
	2018	2019	ended
	HK\$'000	HK\$'000	31 March
			2020
			HK\$'000
Profit for the year/period	<u>656</u>	<u>559</u>	<u>390</u>
Group's effective interest	<u>49%</u>	<u>49%</u>	<u>49%</u>
Share of result of an associate – (i)	<u>—</u>	<u>—</u>	<u>—</u>

- (i) In prior years, the Group stopped recognising its share of losses of the associate because the Group does not have a legal or constructive obligations or made payments on behalf of the associate.

As at 31 December 2018, the cumulative unrecognised share of losses of the associate was approximately HK\$66,000.

As at 31 December 2019 and 31 March 2020, there was no unrecognised share of losses of the associate.

17. Financial assets/liabilities at fair value through profit or loss

	At 31 December		At 31 March
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Non-current assets			
At fair value:			
Investment in an unlisted investment fund – Note 17(a)	8,025	18,428	20,820
Current liabilities			
At fair value:			
Short position with the underlying equity securities listed in Hong Kong	2	2	2

Note:

(a) The investment fund, True Partner Fund, is managed by True Partner Advisor Limited, a subsidiary of the Company.

18. Financial assets at fair value through other comprehensive income

	At 31 December		At 31 March
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at fair value	4,797	3,738	2,557

Note:

(a) The investment represents equity interest in an unlisted company incorporated in Hong Kong.

19. Accounts receivable

	At 31 December		At 31 March
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Consultancy service fee receivable	1,302	561	–
Management fee receivable	3,578	6,228	8,012
Performance fee receivable	62,655	8	41,875
	67,535	6,797	49,887

Notes:

(a) The ageing analysis of accounts receivable, based on the transaction date, is as follows:

	At 31 December		At 31 March
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Less than 30 days	67,535	6,524	49,887
31 – 60 days	–	144	–
61 – 90 days	–	–	–
Over 90 days but less than 1 year	–	129	–
	<u>67,535</u>	<u>6,797</u>	<u>49,887</u>

(b) The ageing analysis of accounts receivable, based on the due date, is as follows:

	At 31 December		At 31 March
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Not past due	67,535	6,236	49,887
1 – 30 days	–	288	–
31 – 60 days	–	144	–
Over 90 days but less than 1 year	–	129	–
	<u>67,535</u>	<u>6,797</u>	<u>49,887</u>

20. Other receivables

	At 31 December		At 31 March
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Deposits	1,441	1,207	846
Other receivables	397	733	691
Prepayments	1,168	1,404	1,371
Prepaid listing expenses	–	1,523	1,523
	<u>3,006</u>	<u>4,867</u>	<u>4,431</u>

21. Amount due from an associate

The amount due is non-trade in nature, interest-free, unsecured and is fully settled in May 2020.

22. Cash and cash equivalents

Cash and cash equivalents consist entirely of cash on hand and balance with banks.

23. Accruals and other payables

	At 31 December		At 31 March
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Accrued employee benefits	8,279	4,176	11,059
Accrued listing expenses	–	2,329	5,849
Accrued expenses	1,162	2,322	2,592
Other payables	10,444	2,049	9,735
	<u>19,885</u>	<u>10,876</u>	<u>29,235</u>

24. Lease liabilities

The remaining contractual maturities of lease liabilities are as follows:

	Minimum lease payments			Present value of minimum lease payments		
	At	At	At	At	At	At
	31 December	31 December	31 March	31 December	31 December	31 March
	2018	2019	2020	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	–	1,744	1,744	–	1,624	1,640
More than 1 year but within 2 years	–	1,744	1,744	–	1,690	1,707
More than 2 years but within 5 years	–	436	–	–	433	–
	–	3,924	3,488	–	3,747	3,347
Less:						
Future interest expense	–	(177)	(141)	–	–	–
Present value of lease liabilities	<u>–</u>	<u>3,747</u>	<u>3,347</u>			

The total cash outflow for leases for the years ended 31 December 2018 and 2019 were approximately HK\$2,994,000 and HK\$2,668,000 respectively.

The total cash outflow for leases for the three months ended 31 March 2019 and 2020 were approximately HK\$733,000 and HK\$581,000 respectively.

25. Share capital

	Number of shares	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each	<u>1,000,000</u>	<u>10</u>
Issued and fully paid:		
Ordinary shares of HK\$0.01 each		
Allotted on the date of incorporation	<u>218,220</u>	<u>2</u>
At 31 December 2018, 31 December 2019 and 31 March 2020	<u>218,220</u>	<u>2</u>

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 23 November 2018. Upon its incorporation, the authorised share capital of HK\$10,000 was divided into 1,000,000 ordinary shares at HK\$0.01 each.

Upon incorporation, 1 ordinary share was allotted and issued to a nominee subscriber at par value. On the same day, the nominee subscriber transferred the one subscriber share to Red Seven Investment Ltd. at a consideration of HK\$0.01, and an additional 218,219 ordinary shares of HK\$0.01 each in the Company was allotted and issued to the shareholders of True Partner Singapore Holding Pte. Ltd for a consideration of HK\$32,486,300. After the allotment, the Company became owned by the same shareholders and in the same shareholding as True Partner Singapore Holding Pte. Ltd.

The Company has conditionally adopted the Pre-IPO Share Option Scheme on 13 February 2020. A summary of the principal terms of the Share Option Scheme is set out in the section headed “Statutory and General Information – D. Pre-IPO Share Option Scheme” in Appendix IV to this document.

26. Capital management

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

The capital structure of the Group consists of equity attributable to owners of the Company (comprising issued share capital and reserves).

The Group’s capital structure is actively and regularly reviewed and managed by the Directors of the Company. Adjustments are made to the capital structure such as to issue new shares or to adjust dividend payment to shareholders in light of changes in economic conditions affecting the Group. The Group’s overall strategy remains unchanged throughout the Track Record Period.

One of the subsidiaries of the Company are registered with Hong Kong Securities and Futures Commission (“Regulated Subsidiary”) and are subject to liquid capital requirements under Hong Kong Securities and Futures (Financial Resources) Rules (“SF(FR)R”) of the Hong Kong Securities and Futures Ordinance (“SFO”). Under the SF(FR)R, the Regulated Subsidiary must maintain its liquid capital (assets and liabilities adjusted as determined by SF(FR)R) in excess of HK\$100,000 or 5% of their total adjusted liabilities, whichever is higher. Other than this, the Regulated Subsidiary are not subject to any externally imposed capital requirements. The Directors closely monitor, on a daily basis, the liquid capital level to ensure compliance with the liquid capital requirements under SF(FR)R. This externally imposed capital requirement has been complied with by the Regulated Subsidiary during the Track Record Period.

27. Reserves

The amount of the Group’s reserves and the movements therein are presented in the consolidated statement of changes in equity.

28. Related party transactions

- (a) In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions with its related parties during the Track Record Period:

			Year ended 31 December	
			2018	2019
		Note	HK\$'000	HK\$'000
Name of related parties	Nature of transactions			
True Partner Fund (“TPF”)	Management and performance fee income	(i), (ii)	48,673	31,942
True Partner Volatility Fund (“TPVF”)	Management and performance fee income	(i), (iii)	44,147	3,791
			<u> </u>	<u> </u>

		<i>Note</i>	Three months ended 31 March	
			2019	2020
Name of related parties	Nature of transactions		HK\$'000	HK\$'000
			(unaudited)	
True Partner Fund ("TPF")	Management and performance fee income	(i), (ii)	7,635	37,389
True Partner Volatility Fund ("TPVF")	Management and performance fee income	(i), (iii)	542	1,364
			<u> </u>	<u> </u>

Notes:

- (i) A Director of the Company is a member of key management personnel of these funds.
- (ii) For the years ended 31 December 2018 and 2019, included in the management and performance fee income from TPF is an amount of HK\$160,000 and HK\$320,000 respectively attributable to the investments in TPF held by True Partner Advisor Limited, a subsidiary of the Company.

For the three months ended 31 March 2019 and 2020, included in the management and performance fee income from TPF is an amount of HK\$40,000 and HK\$389,000 respectively attributable to the investments in TPF held by True Partner Advisor Limited, a subsidiary of the Company.

- (iii) For the years ended 31 December 2018 and 2019, included in the management and performance fee income from TPVF is an amount of approximately HK\$124,000 and HK\$57,000 respectively attributable to the investments in TPVF held by a Director of the Company.

For the three months ended 31 March 2019 and 2020, included in the management and performance fee income from TPVF is an amount of approximately HK\$15,000 and HK\$15,000 respectively attributable to the investments in TPVF held by a Director of the Company.

- (b) Compensation of key management personnel

	Year ended 31 December		Three months ended	
	2018	2019	31 March 2019	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Short-term employee benefits	19,586	12,883	2,887	3,254
Pension scheme contributions	<u>153</u>	<u>205</u>	<u>136</u>	<u>84</u>
	<u>19,739</u>	<u>13,088</u>	<u>3,023</u>	<u>3,338</u>

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Directors are considered as key management personnel of the Group.

29. Operating lease commitments

As at 31 December 2018, 31 December 2019 and 31 March 2020, the Group had the following commitments for future minimum lease payments in respect of short-term leases.

	At 31 December		At 31 March
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	249	113	348
In the second to fifth year inclusive	—	—	—
	<u>249</u>	<u>113</u>	<u>348</u>

30. Reconciliation of liabilities arising from financing activities

The table below details change in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows arising from financing activities.

	Lease liabilities <i>HK\$'000</i>
At 1 January 2018, 31 December 2018 and 1 January 2019	—
Changes from financing cash flows:	
Principal element of lease rentals payment	(998)
Interest paid	(131)
	(1,129)
Other changes:	
Increase in lease liabilities from entering into new leases	4,745
Interest expense	131
	4,876
At 31 December 2019	<u>3,747</u>
At 1 January 2019 and 31 March 2019	—
At 1 January 2020	3,747
Changes from financing cash flows:	
Principal element of lease rentals payment	(400)
Interest paid	(36)
	(436)
Other changes:	
Interest expense	36
At 31 March 2020	<u>3,347</u>

31. Financial instruments

(a) Categories of financial instruments

At 31 December 2018

	Financial assets			Total HK\$'000
	Financial assets at amortised cost HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	
Financial assets at fair value through profit or loss	–	8,025	–	8,025
Financial assets at fair value through other comprehensive income	–	–	4,797	4,797
Accounts receivable	67,535	–	–	67,535
Other receivables	3,006	–	–	3,006
Deposits placed with a broker	189	–	–	189
Amount due from an associate	683	–	–	683
Cash and cash equivalents	55,946	–	–	55,946
	<u>127,359</u>	<u>8,025</u>	<u>4,797</u>	<u>140,181</u>
Financial liabilities				
	Financial liabilities at amortised cost HK\$'000	Financial liabilities at fair value through profit or loss HK\$'000		Total HK\$'000
Payable to a broker	121	–		121
Accruals and other payables	19,885	–		19,885
Financial liabilities at fair value through profit or loss	–	2		2
	<u>20,006</u>	<u>2</u>		<u>20,008</u>

At 31 December 2019

	Financial assets			Total HK\$'000
	Financial assets at amortised cost HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	
Financial assets at fair value through profit or loss	–	18,428	–	18,428
Financial assets at fair value through other comprehensive income	–	–	3,738	3,738
Accounts receivable	6,797	–	–	6,797
Other receivables	4,867	–	–	4,867
Deposits placed with a broker	173	–	–	173
Amount due from an associate	471	–	–	471
Cash and cash equivalents	69,765	–	–	69,765
	<u>82,073</u>	<u>18,428</u>	<u>3,738</u>	<u>104,239</u>
Financial liabilities				
	Financial liabilities at amortised cost HK\$'000	Financial liabilities at fair value through profit or loss HK\$'000		Total HK\$'000
Payable to a broker	97	–		97
Accruals and other payables	10,876	–		10,876
Financial liabilities at fair value through profit or loss	–	2		2
Lease liabilities	3,747	–		3,747
	<u>14,720</u>	<u>2</u>		<u>14,722</u>

At 31 March 2020

	Financial assets			Total HK\$'000
	Financial assets at amortised cost HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Financial assets at fair value through other comprehensive income HK\$'000	
Financial assets at fair value through profit or loss	–	20,820	–	20,820
Financial assets at fair value through other comprehensive income	–	–	2,557	2,557
Accounts receivable	49,887	–	–	49,887
Other receivables	4,431	–	–	4,431
Deposits placed with a broker	204	–	–	204
Amount due from an associate	184	–	–	184
Cash and cash equivalents	48,480	–	–	48,480
	<u>103,186</u>	<u>20,820</u>	<u>2,557</u>	<u>126,563</u>
Financial liabilities				
	Financial liabilities at amortised cost HK\$'000	Financial liabilities at fair value through profit or loss HK\$'000		Total HK\$'000
Payable to a broker		100	–	100
Accruals and other payables		29,235	–	29,235
Financial assets at fair value through profit or loss		–	2	2
Lease liabilities		3,347	–	3,347
		<u>32,682</u>	<u>2</u>	<u>32,684</u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through other comprehensive income, financial assets at fair value through profit or loss, accounts receivable, other receivables, deposits placed with a broker, amount due from an associate, cash and cash equivalents, payable to a broker, accruals and other payables, financial liabilities at fair value through profit or loss and lease liabilities. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below summaries the Group's financial assets and financial liabilities exposed to currency risk as at 31 December 2018, 31 December 2019 and 31 March 2020.

	At 31 December		At 31 March
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Financial assets denominated in foreign currencies:</i>			
Accounts and other receivables	3,101	54	207
Amount due from an associate	683	471	184
Deposits placed with a broker	144	141	20
Cash and bank balances	31,946	19,520	14,798
<i>Financial liabilities denominated in foreign currencies:</i>			
Accruals and other payables	(801)	(1,823)	(1,693)
Net financial assets exposed to currency risk	<u>35,073</u>	<u>18,363</u>	<u>13,516</u>

The Group's financial assets and liabilities exposed to currency risk were denominated in the following currencies:

	At 31 December		At 31 March
	2018	2019	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
United States dollar	30,176	17,950	12,134
Hong Kong dollar	2,552	183	646
Chinese Yuan Renminbi	683	471	184
Australian dollar	22	22	–
Swiss Franc	19	19	19
South Korean Won	18	17	–
Euro	1,593	603	1,724
Pound Sterling	79	(839)	(1,131)
Singapore dollar	(69)	(63)	(60)
	<u>35,073</u>	<u>18,363</u>	<u>13,516</u>

Since Hong Kong dollar is pegged to United States dollar, material fluctuations in the exchange rates of Hong Kong dollar against United States dollar are remote.

Should Hong Kong dollar as at 31 December 2018, 31 December 2019 and 31 March 2020 devalue by 10% against other foreign currencies, the Group's carrying amount of net financial assets exposed to currency risk as at 31 December 2018, 31 December 2019 and 31 March 2020 in accordance with HKAS 21 "The Effects of Changes in Foreign Exchange Rates" would increase and the Group's equity at 31 December 2018, 31 December 2019 and 31 March 2020 would increase by approximately HK\$235,000, HK\$23,000, HK\$74,000 respectively, profit for the year ended 31 December 2018 would increase by approximately HK\$235,000, loss for the year ended 31 December 2019 would decrease by approximately HK\$23,000 and profit for the three months ended 31 March 2020 would increase by approximately HK\$74,000.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group did not have any significant interest rate risk.

Other price risks

The Group is exposed to equity price risk mainly through its investment in listed equity securities, which is classified as financial assets at fair value through profit or loss. The management manages this exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

Equity price sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting period. A 10% change represents the management's assessment of a reasonably possible change in equity price.

If equity prices had been 10% higher/lower, with other variables held constant, the Group's post-tax profit for the year ended 31 December 2018 would increase/decrease by less than HK\$1,000, the Group's post-tax loss for the year ended 31 December 2019 would decrease/increase by less than HK\$1,000 and the Group's post-tax profit for the three months ended 31 March 2020 would increase/decrease by less than HK\$1,000. This is mainly due to the changes in fair value of held-for-trading financial assets at fair value through profit or loss.

Credit risk management

As at 31 December 2018, 31 December 2019 and 31 March 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Directors of the Company closely monitor the overall level of credit exposure, and the management is responsible for the determination of credit approvals and monitoring the implementation of the debt collection procedure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate loss allowances are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk has been significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation or high credit ratings assigned by international credit-rating agencies. Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

Credit risk management – accounts receivable

In respect of accounts receivable, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payment when due and adjusted for forward-looking factors specific to the customers and the economic environment which could affect

customers' ability to pay, and take into account information specific to the customer. The Group does not obtain collateral from customers. The Group expects there are insignificant ECLs on accounts receivable following the credit evaluation of the customers and their repayment history, and therefore the ECL rate is zero.

Credit risk management – other receivables, deposits placed with a broker and amount due from an associate

The Group measures loss allowance of other receivables based on 12-month ECL of other receivables. For those balances expected to have significant increase in credit risk since initial recognition, the Group applies lifetime ECL based on aging for classes with different credit risk characteristics and exposures.

The 12-month ECL calculated by the Group is not significant and there has been no significant increase in credit risk since initial recognition. The ECL rate is zero.

Credit risk management – Cash and cash equivalents

Cash and cash equivalents are placed at financial institutions that have sound credit ratings assigned by international credit-rating agencies and the Group considers the credit risk to be insignificant. The ECL rate is zero.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Directors of the Company, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Liquidity table

The following table summarises the maturity profile of the Group's financial liabilities as at 31 December 2018, 31 December 2019 and 31 March 2020 based on contractual undiscounted cash flows.

	On demand or within one year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
Year ended					
31 December 2018					
Payable to a broker	121	–	–	121	121
Accruals and other payables	19,885	–	–	19,885	19,885
	<u>20,006</u>	<u>–</u>	<u>–</u>	<u>20,006</u>	<u>20,006</u>
Year ended					
31 December 2019					
Payable to a broker	97	–	–	97	97
Accruals and other payables	10,876	–	–	10,876	10,876
Lease liabilities	1,744	1,744	436	3,924	3,747
	<u>12,717</u>	<u>1,744</u>	<u>436</u>	<u>14,897</u>	<u>14,720</u>
At 31 March 2020					
Payable to a broker	100	–	–	100	100
Accruals and other payables	29,235	–	–	29,235	29,235
Lease liabilities	1,744	1,744	–	3,488	3,347
	<u>31,079</u>	<u>1,744</u>	<u>–</u>	<u>32,823</u>	<u>32,682</u>

(c) Fair value measurements of financial instruments

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- (i) Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 – unobservable inputs for the asset or liability.

The following table presents the Group's financial assets and financial liabilities that are measured at fair value:

As at 31 December 2018				
	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets				
Financial assets at fair value through profit or loss				
– Unlisted investment funds	–	8,025	–	8,025
Financial assets at fair value through other comprehensive income				
– Unlisted shares	–	–	4,797	4,797
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Listed shares	2	–	–	2
	<u>2</u>	<u>8,025</u>	<u>4,797</u>	<u>12,824</u>
As at 31 December 2019				
	Level 1	Level 2	Level 3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets				
Financial assets at fair value through profit or loss				
– Unlisted investment funds	–	18,428	–	18,428
Financial assets at fair value through other comprehensive income				
– Unlisted shares	–	–	3,738	3,738
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Listed shares	2	–	–	2
	<u>2</u>	<u>18,428</u>	<u>3,738</u>	<u>22,168</u>

	As at 31 March 2020			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets				
Financial assets at fair value through profit or loss				
– Unlisted investment funds	–	20,820	–	20,820
Financial assets at fair value through other comprehensive income				
– Unlisted shares	–	–	2,557	2,557
Financial liabilities				
Financial liabilities at fair value through profit or loss				
– Short position	2	–	–	2
	<u>2</u>	<u>20,820</u>	<u>2,557</u>	<u>23,379</u>

The following table presents the changes in Level 3 of financial instruments for the years ended 31 December 2018 and 2019 and three months ended 31 March 2020.

	Year ended 31 December		Three months ended 31 March
	2018 HK\$'000	2019 HK\$'000	2020 HK\$'000
Unlisted shares			
At beginning of the year/period	9,946	4,797	3,738
Changes in fair value recognised in other comprehensive income	(5,149)	(1,059)	(1,181)
At end of the year/period	<u>4,797</u>	<u>3,738</u>	<u>2,557</u>

The fair value of investment in unlisted investment fund that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, either directly (as prices) or indirectly (derived from prices), the instrument is included in level 2.

The underlying investments held by the unlisted investment fund include active listed equities and exchange traded derivatives, which are classified within Level 1. The fair value of the unlisted investment fund is stated with reference to the net asset value provided by the relevant administrator of the investment fund, which is measured with reference to market values of the underlying investments in listed equity securities and derivatives, adjusted for balances of other financial instruments.

The fair value of unlisted shares classified as financial asset at fair value through other comprehensive income was determined using the price to book ratio (P/B ratio) of comparable listed companies adjusted by lack of marketability discount, which is Level 3 of the fair value hierarchy.

Information about Level 3 fair value measurements is as follows:

	Valuation technique	Significant unobservable input	Percentage
Financial assets at fair value through other comprehensive income	Market comparable companies	Discount for lack of marketability	15.8

The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2018, 31 December 2019 and 31 March 2020, it was estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 10% would have increased/decreased the Group's other comprehensive income for the years ended 31 December 2018 and 2019 and three months ended 31 March 2020 by approximately HK\$90,000, HK\$70,000 and HK\$48,000 respectively.

32. Non-controlling interests

The following table lists out the information of True Partner Advisor Hong Kong Limited, the only subsidiary of the Group which has a non-controlling interest. The summarised financial information presented below represents the amounts before any inter-company elimination.

	At 31 December		At 31 March
	2018	2019	2020
	HK\$'000	HK\$'000	HK\$'000
Current assets	23,113	20,821	17,476
Non-current assets	86	186	162
Current liabilities	15,079	11,501	7,748
Non-current liabilities	–	–	–
Net assets	<u>8,120</u>	<u>9,506</u>	<u>9,890</u>
	Year ended 31 December		Three months ended 31
	2018	2019	March
	HK\$'000	HK\$'000	HK\$'000
Revenue	34,478	33,228	8,326
Profit for the year/period	2,032	1,386	384
Other comprehensive income	–	–	–
Total comprehensive income for the year/period	<u>2,032</u>	<u>1,386</u>	<u>384</u>

33. Capital commitment

On 31 December 2019, CHMC, a subsidiary of the Company entered into a Capital Increase Framework Agreement with independent third parties, pursuant to which CHMC agreed to make capital injection of RMB3,000,000 to Holland & Muh Investment Management Co., Ltd., a limited liability company established in the People's Republic of China. Upon completion, CHMC will hold 30% of the equity interest of Holland & Muh Investment Management Co., Ltd. The effective date of the agreement is 1 January 2020.

34. Events after the reporting period

After the outbreak of Coronavirus Disease 2019 (“**COVID-19 outbreak**”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group has been closely monitoring the impact of the developments on the Group’s businesses and has put in place precautionary, control and contingency measures which has been implemented in different office locations. The Group will continue to monitor the development of the COVID-19 outbreak and market situation, and assess its impact on the Group’s financial position and operating results. As at the end of the reporting period, the Group is not aware of any material adverse effects on its operations and financial position.

35. Subsequent financial statements

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 March 2020.

The following is the text of a report set out on pages IB-1 to IB-2 received from the Company's reporting accountants, PKF Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. The information set out on pages IB-3 to IB-8 is the unaudited interim condensed consolidated financial information of the Group for the three and six months ended 30 June 2020, and does not form part of the Accountants' Report from the Company's reporting accountants, PKF Hong Kong Limited, Certified Public Accountants, Hong Kong, as set out in Appendix IA to this prospectus, and is included herein for information purpose only.

大信梁學濂(香港)會計師事務所有限公司

PKF
Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

**REPORT ON REVIEW ON INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION TO THE DIRECTORS OF TRUE PARTNER CAPITAL HOLDING LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim condensed consolidated financial information of True Partner Capital Holding Limited (the “**Company**”) and its subsidiaries (collectively referred as the “**Group**”) set out on pages IB-3 to IB-8, which comprise the condensed consolidated statement of financial position of the Group as at 30 June 2020 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows of the Group for the three and six months then ended, and other explanatory notes. The directors are responsible for the preparation and presentation of the interim condensed consolidated financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on the interim condensed consolidated financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of 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 Hong Kong Institute of Certified Public Accountants. A review of interim condensed consolidated financial information consists of making inquiries, 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.

Basis for Qualified Conclusion

As explained in Note 1 to the interim condensed consolidated financial information, the interim condensed consolidated financial information does not contain all the minimum disclosures of an condensed consolidated financial information report as required by Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. It is not practical for us to quantify the extent of this omission.

Qualified Conclusion

Based on our review, except for the effects of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial information as at 30 June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PKF Hong Kong Limited*Certified Public Accountants*

Hong Kong

30 September 2020

The unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three and six months ended 30 June 2020, together with the unaudited comparative figures for the corresponding periods in 2019, as follows:

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the three and six months ended 30 June 2020

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2020	2019	2020
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	10,833	23,489	19,577	73,087
Other income	66	1	151	48
Direct costs	(1,810)	(2,583)	(3,256)	(5,377)
Fair value (loss)/gain on financial assets at fair value through profit or loss	(449)	16	(632)	2,408
General and administrative expenses	(10,875)	(14,315)	(21,586)	(36,807)
Listing expense	–	(970)	–	(11,568)
Finance costs	(48)	(32)	(49)	(69)
Share of results of associates	–	(51)	–	(51)
(Loss)/profit before income tax	(2,283)	5,555	(5,795)	21,671
Income tax expense	(77)	(3,211)	(132)	(8,495)
(Loss)/profit for the period	(2,360)	2,344	(5,927)	13,176
Other comprehensive loss				
Item that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of foreign operations	(3)	(54)	–	(64)
Item that will not be reclassified to profit or loss:				
Fair value loss on financial assets designated at fair value through other comprehensive income	(94)	(77)	(396)	(1,258)
Other comprehensive loss	(97)	(131)	(396)	(1,322)
Total comprehensive (loss)/income for the period	(2,457)	2,213	(6,323)	11,854

	For the three months ended 30 June		For the six months ended 30 June	
	2019	2020	2019	2020
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit for the period attributable to:				
Owners of the Company	(2,560)	2,146	(6,237)	12,790
Non-controlling interest	<u>200</u>	<u>198</u>	<u>310</u>	<u>386</u>
	<u><u>(2,360)</u></u>	<u><u>2,344</u></u>	<u><u>(5,927)</u></u>	<u><u>13,176</u></u>
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Company	(2,657)	2,015	(6,633)	11,468
Non-controlling interest	<u>200</u>	<u>198</u>	<u>310</u>	<u>386</u>
	<u><u>(2,457)</u></u>	<u><u>2,213</u></u>	<u><u>(6,323)</u></u>	<u><u>11,854</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2020*

	As at 30 June 2020 (HK\$'000) (Unaudited)	As at 31 December 2019 (HK\$'000) (Audited)
Non-current assets		
Plant and equipment	1,612	1,849
Right-of-use assets	2,767	3,555
Intangible assets	47	59
Investments in associates	3,237	–
Financial assets at fair value through profit or loss	20,836	18,428
Financial assets at fair value through other comprehensive income	2,480	3,738
	<u>30,979</u>	<u>27,629</u>
Current assets		
Accounts receivable	11,351	6,797
Other receivables	6,177	4,867
Deposits placed with a broker	159	173
Amount due from an associate	–	471
Tax recoverable	249	1,853
Cash and cash equivalents	79,974	69,765
	<u>97,910</u>	<u>83,926</u>
Current liabilities		
Payable to a broker	–	97
Accruals and other payables	22,416	10,876
Financial liabilities at fair value through profit or loss	2	2
Lease liabilities	1,657	1,624
Tax payable	5,953	11,112
	<u>30,028</u>	<u>23,711</u>
Net current assets	<u>67,882</u>	<u>60,215</u>
Total assets less current liabilities	98,861	87,844
Non-current liability		
Lease liabilities	1,286	2,123
Net assets	<u><u>97,575</u></u>	<u><u>85,721</u></u>
Capital and reserves		
Share capital	32,486	32,486
Reserves	60,045	48,577
	<u>92,531</u>	<u>81,063</u>
Non-controlling interests	5,044	4,658
Total equity	<u><u>97,575</u></u>	<u><u>85,721</u></u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2020*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Reserves					Total	Non- controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
			Group reorganisation reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Fair value reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>			
At 1.1.2019 (audited)	2	32,484	1,145	(52)	(1,203)	7,234	64,268	103,878	3,979	107,857
Loss for the period	-	-	-	-	-	-	(6,237)	(6,237)	310	(5,927)
Other comprehensive loss	-	-	-	-	(396)	-	-	(396)	-	(396)
Total comprehensive loss for the period	-	-	-	-	(396)	-	(6,237)	(6,633)	310	(6,323)
At 30.6.2019 (unaudited)	2	32,484	1,145	(52)	(1,599)	7,234	58,031	97,245	4,289	101,534
At 1.1.2020 (audited)	2	32,484	1,145	(52)	(2,262)	7,234	42,512	81,063	4,658	85,721
Profit for the period	-	-	-	-	-	-	12,790	12,790	386	13,176
Other comprehensive loss	-	-	-	(64)	(1,258)	-	-	(1,322)	-	(1,322)
Total comprehensive income for the period	-	-	-	(64)	(1,258)	-	12,790	11,468	386	11,854
At 30.6.2020 (unaudited)	2	32,484	1,145	(116)	(3,520)	7,234	55,302	92,531	5,044	97,575

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the three and six months ended 30 June 2020

	For the three months ended		For the six months ended	
	30 June		30 June	
	2019	2020	2019	2020
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(4,386)	35,379	40,700	14,647
Net cash used in investing activities	(1,369)	(3,395)	(13,479)	(3,501)
Net cash used in financing activities	<u>(258)</u>	<u>(436)</u>	<u>(259)</u>	<u>(873)</u>
<i>Net (decrease)/increase in cash and cash equivalents</i>	(6,013)	31,548	26,962	10,273
<i>Cash and cash equivalents at beginning of the period</i>	88,921	48,480	55,946	69,765
<i>Effect on foreign exchange rates changes</i>	<u>—</u>	<u>(54)</u>	<u>—</u>	<u>(64)</u>
<i>Cash and cash equivalents at end of the period</i>	<u><u>82,908</u></u>	<u><u>79,974</u></u>	<u><u>82,908</u></u>	<u><u>79,974</u></u>

NOTE TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. General information and basis of preparation

The Company is a limited liability company incorporated in the Cayman Islands. The registered office is located at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands and its principal place of business is located at Suites 2902-03, 29/F., Tower 2, The Gateway, Harbour City, Kowloon, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries now comprising the Group (the “**Group**”) are principally engaged in fund management business and providing consultancy services.

The interim condensed consolidated financial information of the Group has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” except that the interim condensed consolidated financial information does not contain all the minimum disclosures of an interim condensed consolidated financial information as required by Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

B. LETTER FROM THE SOLE SPONSOR ON INTERIM RESULTS

The following is the text of a letter, prepared for inclusion in this prospectus, received by our Directors from the Sole Sponsor, in connection with unaudited condensed consolidated results of the Group for the six months ended 30 June 2020.



Alliance Capital Partners Limited
同人融資有限公司

The Board of Directors

True Partner Capital Holding Limited

Dear Sir,

We refer to unaudited condensed consolidated results of the Group for the three and six months ended 30 June 2020 (the “Interim Results”), as set out in Appendix IB in the prospectus dated 30 September 2020.

The Interim Results, for which the directors of the Company are solely responsible, have been prepared based on the Group’s audited consolidated accounts for three months to 31 March 2020 and unaudited consolidated management accounts of the Group for the three months ended 30 June 2020.

We have discussed with you the bases upon which the Interim Results have been made and we have also considered the letter dated 30 September 2020 addressed to you and us as Sponsor from PKF Hong Kong Limited, the Group’s reporting accountant, regarding the accounting policies and calculations upon which the Interim Results have been made.

On the basis of the accounting policies which have been consistently applied in the preparation of the Interim Results with its calculations reviewed by PKF Hong Kong Limited, we are of the opinion that the Interim Results, for which you as directors of the Company are solely responsible, have been made after due and careful enquiry.

Yours faithfully For and on
behalf of
**Alliance Capital Partners
Limited**
David Tsang
Managing Director

The information set out in this appendix does not form part of the accountants' report on the financial information of the Group for each of the two years ended 31 December 2019 and for the three months ended 31 March 2020 prepared by PKF Hong Kong Limited, Certified Public Accountants, Hong Kong, the independent reporting accountant of the Company (the "Accountants' Report"), as set forth in Appendix IA to this prospectus, and is included herein for information 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 IA to this prospectus.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with paragraph 7.31 of the GEM Listing Rules and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants is set out below to illustrate the effect of the Share Offer on the consolidated net tangible assets of the Group as at 31 March 2020 as if the Share Offer had taken place on that date.

The unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at 31 March 2020 or any future dates following the Share Offer.

The following unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group as at 31 March 2020 as shown in the Accountant's Report, the text of which is set out in Appendix IA to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group as at 31 March 2020 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets of the Group HK\$'000	Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share HK\$'000 (Note 3)
Based on the Offer Price of HK\$1.40 per Offer Share, after a Downward Offer Price Adjustment of 10%	<u>95,310</u>	<u>129,593</u>	<u>224,903</u>	<u>0.56</u>
Based on the Offer Price of HK\$1.55 per Offer Share	<u>95,310</u>	<u>146,972</u>	<u>242,282</u>	<u>0.61</u>
Based on the Offer Price of HK\$1.95 per Offer Share	<u>95,310</u>	<u>177,093</u>	<u>272,403</u>	<u>0.68</u>

Notes:

1. The audited consolidated net tangible assets of the Group as at 31 March 2020 are based on audited consolidated net assets of the Group as at 31 March 2020 amounted to HK\$95,362,000 with an adjustment for the intangible assets as of 31 March 2020 of HK\$52,000, extracted from the Accountants' Report on Historical Financial Information set out in Appendix IA to this prospectus.
2. The estimated net proceeds from the Share Offer are based on 100,000,000 Offer Shares at the Offer Price of lower limit and upper limit of HK\$1.55 and HK\$1.95 per Offer Share, respectively, and also based on an Offer Price of HK\$1.40 per Offer Share, after a Downward Offer Price Adjustment of 10%, after taking into account the estimated underwriting fees and other related expenses to be incurred by the Group since 1 April 2020. The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and shares options which may be granted under the Pre-IPO Share Option Scheme and Share Option Scheme, or any Shares which may be issued or repurchase Shares referred to in the section headed "Share capital – General Mandate To Allot And Issue Shares" or the section headed "Share capital – General Mandate to Repurchase Shares in this prospectus.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 400,000,000 Shares in issue immediately following the completion of the Share Offer and it does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and share options which may be granted under the Pre-IPO Share Option Scheme and Share Option Scheme, or any Shares which may be issued or repurchase Shares referred to in the section headed "Share capital – General Mandate To Allot And Issue Shares" or the section headed "Share capital – General Mandate to Repurchase Shares in this prospectus.
4. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2020.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountant's assurance report received from PKF Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

大信梁學濂(香港)會計師事務所有限公司



Accountants &
business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**TO THE DIRECTORS OF TRUE PARTNER CAPITAL HOLDING LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of True Partner Capital Holding Limited (the “Company”) and its subsidiaries (collectively the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated net tangible assets of the Group as at 31 March 2020, and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages II-1 to II-2 in Appendix II to prospectus issued by the Company dated 30 September 2020 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Share Offer on the Group's financial position as at 31 March 2020 as if the Share Offer had taken place at 31 March 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for each of the two years ended 31 December 2019 and for the three months ended 31 March 2020, on which an accountants' report set out in Appendix IA to the Prospectus has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing 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 behaviour.

Our 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 Listing Rules, on the unaudited 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 unaudited 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 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 accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited 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 unaudited pro forma financial information.

The purpose of unaudited 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 the event or transaction at 31 March 2020 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited 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 unaudited 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 affect to those criteria; and

- The unaudited 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 unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma 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:

- (a) the unaudited 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 purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

PKF Hong Kong Limited
Certified Public Accountants
Hong Kong

30 September 2020

**SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS
COMPANY LAW**

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 November 2018 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 22 September 2020. 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 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 member being a corporation, by its duly authorized 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 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 of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(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 despatch 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 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 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 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 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 despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents 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 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) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to

convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) 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 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 authorized 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 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 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 summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized 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 members 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 members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

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 or after the first occasion on which such a cheque or warrant is returned undelivered.

(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 summarized 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 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 rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the 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 23 November 2018 subject to the 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 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 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 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 Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the 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 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 (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Financial Secretary 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 (2018 Revision).

The undertaking for the Company is for a period of 20 years from 14 February 2020.

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 Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(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 authorized 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 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 Cayman Companies Law as an exempted company with limited liability on 23 November 2018. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 21 October 2019 and has established its principal place of business in Hong Kong at Suites 2902–03, 29/F, Tower 2, The Gateway, Harbour City, Kowloon, Hong Kong. Mr. Ralph Van Put and Mr. Godefriedus Jelte Heijboer have been appointed as the authorised representatives 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 Cayman Companies Law is set out in Appendix III to this prospectus.

2. Changes in authorised and issued share capital of our Company

The authorized share capital of our Company as of the date of its incorporation was HK\$10,000.00 divided into 1,000,000 shares with a par value of HK\$0.01 each. The following sets out the changes in the share capital of our Company since the date of incorporation:

- (a) On 23 November 2018, one Share was allotted and issued at par, credited as fully paid to Vistra (Cayman) Limited as the initial subscriber and such Share was transferred at par to Red Seven Investment Ltd on the same day;
- (b) On 23 November 2018, a total of 218,219 Shares were allotted and issued to the following companies or individuals:
 - (i) 20,224 Shares were allotted and issued to Red Seven Investment Ltd;
 - (ii) 40,622 Shares were allotted and issued to Godefriedus Jelte Heijboer;
 - (iii) 40,600 Shares were allotted and issued to True Partner Participation Limited;
 - (iv) 47,322 Shares were allotted and issued to Tobias Benjamin Hekster;
 - (v) 4,000 Shares were allotted and issued to Dao Management Ltd;
 - (vi) 21,798 Shares were allotted and issued to Edo Bordoni;
 - (vii) 32,733 Shares were allotted and issued to True Partner International Limited;
 - (viii) 8,728 Shares were allotted and issued to Johan Marianus Cecil Cornelissen; and
 - (ix) 2,182 Shares were allotted and issued to Remco Janssen;

- (c) Pursuant to the written resolutions of all Shareholders passed on 22 September 2020, the authorised share capital of our Company was increased from HK\$10,000.00 divided into 1,000,000 Shares of par value HK\$0.01 each to HK\$100,000,000.00 divided into 10,000,000,000 Shares of par value HK\$0.01 each by the creation of a further 9,999,000,000 Shares, ranking *pari passu* with the Shares in all respects;
- (d) 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 have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme, 400,000,000 Shares will be allotted and issued fully paid or credited as fully paid, and 9,600,000,000 Shares will remain unissued.
- (e) 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 Pre-IPO Share Option Scheme and 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 22 September 2020” 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;
- (f) 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 22 September 2020

On 22 September 2020, 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\$10,000.00 divided into 1,000,000 Shares of par value HK\$0.01 each to HK\$100,000,000.00 divided into 10,000,000,000 Shares of par value HK\$0.01 each by the creation of an additional 9,999,000,000 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 Committee 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 have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme) on GEM; (2) the entering of the Price Determination Agreement between the Company and the Joint Bookrunners (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\$2,997,817.80 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 299,781,780 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 10 September 2020 (or as the Directors may direct) 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 Pre-IPO Share Option Scheme and the Share Option Scheme, the principal terms of which are set out in “D. Pre-IPO Share Option Scheme” and “E. 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 Pre-IPO Share Option Scheme and 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 Pre-IPO Share Option Scheme and the Share Option Scheme and to take all such steps as may be necessary or desirable to implement the Pre-IPO Share Option Scheme and 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 have been or may be granted under the Pre-IPO Share Option Scheme and 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 have been or may be granted under the Pre-IPO Share Option Scheme and 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 have been or may be granted under the Pre-IPO Share Option Scheme and 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 have been or may be granted under the Pre-IPO Share Option Scheme and 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

Subsidiaries of our Company are referred to in the Accountants’ Report as set out in Appendix IA to this prospectus. Save for the alterations disclosed in the section headed “History, Reorganisation and Corporate Structure” of this prospectus, there has been no alternation in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix IA 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 22 September 2020, 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 have been or may be granted under the Pre-IPO Share Option Scheme and 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 400,000,000 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 40,000,000 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 is or may be material in relation to the business of our Company taken as a whole:

- (a) the Public Offer Underwriting Agreement; and
- (b) the Cornerstone Investment 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	Registrant	Class	Date of Registration	Expiry Date
	Hong Kong	302071296	T8 Software Consulting Limited	42 (design and development of computer hardware and software)	28 October 2011	27 October 2021
	Hong Kong	302071197	True Partner Fund	36 (financial affairs)	28 October 2011	27 October 2021
	Hong Kong	302071151	True Partner Holding Limited	36 (financial affairs)	28 October 2011	27 October 2021
	Hong Kong	302059821	True Partner Consulting Limited (formerly known as True Partner Education Limited)	41 (education, providing of training)	17 October 2011	16 October 2021

(b) Trademark under registration

As at the Latest Practicable Date, we have made application for the registration of the following trademark which in the opinion of our Directors, is material to our Group's business:

Trademark	Place of Application	Application number.	Applicant	Class	Application date
	Hong Kong	305204105	True Partner Capital Holding Limited	36	2 March 2020

(c) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name which are considered by our Directors to be material to our Group's business:

Domain name	Registrant	Date of registration	Expiry date
www.truepartnercapital.com	True Partner Holding Limited	3 October 2015	3 October 2022

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 have been or may be granted under the Pre-IPO Share Option Scheme and 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 and 5.67 of the GEM Listing Rules, will be as follows:

Director	Capacity/nature of interest	Class and number of securities held ^(Note 1)	Approximate percentage of interest
Tobias Benjamin Hekster	Beneficial owner	55,609,018 (L)	13.91%
Godefriedus Jelte Heijboer	Beneficial owner	55,607,644 (L)	13.90%
Ralph Paul Johan Van Put ^(Note 2)	Interest in a controlled corporation	55,577,399 (L)	13.89%
Roy van Bakel ^(Note 3)	Interest in a controlled corporation	27,686,280 (L)	6.92%

Notes:

1. The letter "L" denotes a long position in the Shares.
2. As at the Latest Practicable Date, True Partner Participation Limited was wholly owned by Ralph van Put. Ralph van Put is deemed to be interested in all the Shares held by True Partner Participation Limited under the SFO.
3. As at the Latest Practicable Date, Red Seven Investment Ltd was wholly owned by Roy van Bakel. Roy van Bakel is deemed to be interested in all the Shares held by Red Seven Investment Ltd under the SFO.

(b) *Particulars of service contracts and appointment letters**Executive Directors*

Each of our executive Directors has entered into a service contract with our Company. 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 or by payment in lieu of notice 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. The principal particulars of these appointments are:

- (i) the appointments shall be for a term of three years commencing on 16 March 2020 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 on 16 March 2020, 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.

(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 the years ended 31 December 2018 and 2019 and the three months ended 31 March 2020 were approximately HK\$9.0 million, HK\$11.3 million and HK\$3.3 million, respectively. Further information in respect of our Directors' remuneration is set out in note 8 to the accountants' report in Appendix IA 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 2020 will be approximately HK\$13.0 million.

Under the current arrangements, 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 executive Directors are as follows:

US\$

Executive Directors

Ralph van Put	487,742
Godefriedus Jelte Heijboer	487,742
Tobias Benjamin Hekster	459,600
Roy van Bakel	244,645

Under the current arrangements, 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 Independent non-executive Directors are as follows:

US\$

Independent non-executive Directors

Jeronimus Mattheus Tielman	48,000
Wan Ting Pai	48,000
Ming Tak Ngai	48,000

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

Save as disclosed in the section headed “Substantial Shareholders” and below, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon exercise of the Offer Size Adjustment Option and the options that have been or may be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme), have an interest or 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 will be, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of the 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 “F. Other information – 3. Sponsor” in this Appendix, none of our Directors or the experts named in the paragraph headed “F. 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 29 of the accountants’ report set out in Appendix IA 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 have been or may be granted under the Pre-IPO Share Option Scheme and 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 “F. 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 “F. 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 “F. 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. PRE-IPO SHARE OPTION SCHEME

Our Pre-IPO Share Option Scheme was conditionally adopted pursuant to the written resolutions of all our Shareholders passed on 13 February 2020 and conditionally adopted pursuant to the resolutions of our Board on 13 February 2020. The purpose of the Pre-IPO Share Option Scheme is to recognise and acknowledge the contributions made by certain employees of our Group to the growth of our Group by granting options to them as rewards and further incentives.

(A) Principal terms

The principal terms of the Pre-IPO Share Option Scheme are substantially the same as the terms of the Share Option Scheme set out below except that:

- (i) the maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall not exceed 2.25% of the Shares in issue immediately upon completion of the Share Offer (excluding all the Shares which may fall to be issued upon the exercise of options granted or to be granted under the Offer Size Adjustment Option and the Share Option Scheme);

- (ii) the exercise price per option Share shall be an amount equal to 50% of the Offer Price (subject to adjustment pursuant to the terms of the Pre-IPO Share Option Scheme in the absolute discretion of the Board);
- (iii) only full-time employees, consultants, executives or officers (including executive, non-executive and independent non-executive Directors) of our Company or any of our subsidiaries who, in the absolute discretion of the Board, has contributed or will contribute to the Group, can participate;
- (iv) save for the options which have been granted under the Pre-IPO Share Option Scheme, no further options will be offered or granted under the Pre-IPO Share Option Scheme, as the right to do so will terminate upon the Listing;
- (v) each option granted under the Pre-IPO Share Option Scheme is subject to the following vesting schedule:

Vesting date	Percentage of option vested
Second anniversary of the Listing Date	100%

- (vi) each option granted under the Pre-IPO Share Option Scheme is exercisable pursuant to the grant letters to the option holders, for a period of six months after the vesting date.

Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

(B) Outstanding options granted

As at the date of this prospectus, options to subscribe for an aggregate of 8,997,804 Shares representing not more than 2.25% of the total issued share capital of our Company upon completion of the Share Offer (assuming that all options granted under the Pre-IPO Share Option Scheme are exercised, but without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme) have been conditionally approved by our Company under the Pre-IPO Share Option Scheme. A total of 13 employees have been granted options under the Pre-IPO Share Option Scheme. HK\$1 was given by each of the grantees as the consideration for the pre-IPO share options.

Exercise in full of all options granted under the Pre-IPO Share Option Scheme would result in an increase in the total number of Shares in issue immediately upon completion of the Share Offer (assuming there will be no further issue of Shares whether pursuant to the Offer Size Adjustment Option or the Share Option Scheme) by not more than 2.25%.

Further, assuming that (i) our Company had been listed on the Stock Exchange since 1 January 2020 with 400,000,000 Shares in issue, and (ii) all the options granted under the Pre-IPO Share Option Scheme had been exercised in full, this would not have material dilutive effect on our unaudited forecast basic earnings per Share.

(C) Summary of grantees

Below is a list of grantees who have been granted the options under the Pre-IPO Share Option Scheme:

	Grantee and position	Address	Number of Shares to be issued upon full exercise of the option	Approximate percentage of shareholding after completion of the Share Offer and the Capitalisation Issue
1.	Zou Ruobing (senior quantitative trader)	Flat 4A, Welland Plaza, 188 Nam Cheong Street, Sham Shui Po, Kowloon, Hong Kong	1,499,863	0.38%
2.	Wong Kit Man (Chief financial officer)	Flat F, 39/F, Block 3, Tierra Verde, Tsing Yi, New Territories, Hong Kong	1,499,863	0.38%
3.	Edward Joseph Donnellan III (Chief compliance officer)	155 N Harbour Dr, Apt 3712, Chicago, IL 60601, United States	1,499,863	0.38%
4.	Ni Jiawei (Portfolio manager)	5B, Tower 7, The Coronation, No. 1 Yau Cheung Road, Kowloon, Hong Kong	1,050,316	0.26%
5.	Tsoi Chi Ho (Accountant)	Flat 08, 25/F, Fu Nga House, Fu Keung Court, Lok Fu, Kowloon, Hong Kong	750,619	0.19%
6.	Erik van het Hof (Lead developer)	Flat 9K02, 9/F, Far East Mansion, 5-6 Middle Road, Tsim Sha Tsui, Kowloon, Hong Kong	599,395	0.15%
7.	Adam Tibor Biro (Senior web developer)	Kogge 03 41, Lelystad, 8242 AP, The Netherlands	449,546	0.11%
8.	Qin Ruicheng (Analyst)	Room 618, Building B, Harbourfront Horizon Suites, Hung Hom, Hong Kong	299,698	0.07%

	Grantee and position	Address	Number of Shares to be issued upon full exercise of the option	Approximate percentage of shareholding after completion of the Share Offer and the Capitalisation Issue
9.	Long Shishi (Analyst)	Flat 2602, 26/F, Block 2, The Metropolis Residence, No. 9 Metropolis Drive, Kowloon, Hong Kong	299,698	0.07%
10.	Choi Ho Cheong (Senior accountant)	Flat 3, 9/F, Ka Ying House, Ka Keung Court, 3 Fu Mei Street, Wang Tau Hom, Kowloon, Hong Kong	299,698	0.07%
11.	Alexios Theiakos (Quantitative developer)	Sonny Rollinsstraat 188, Utrecht, 3543 GR, The Netherlands	299,698	0.07%
12.	Wilhelmus Johannes Terstegen (Head of IT)	Beveland 87, 2036 GP Haarlem, The Netherlands	299,698	0.07%
13.	Cheung Shing Chun (Analyst)	Flat F, 12/F, Tower 8, Grand Regentville, Fanling, New Territories, Hong Kong	149,849	0.04%
	Total		8,997,804	2.25%

Except as set out above, no other options have been granted or agreed to be granted by us under the Pre-IPO Share Option Scheme.

Immediately after completion of the Share Offer and the Capitalisation Issue but before the exercise of the options granted under the Pre-IPO Share Option Scheme, none of the grantees under the Pre-IPO Share Option Scheme are interested in the Shares. Assuming the Offer Size Adjustment Option is not exercised, the shareholding structure of our Company after the full exercise of all the options granted under the Pre-IPO Share Option Scheme will be as follows:

Shareholders	Approximate shareholding structure immediately after completion of the Share Offer and the Capitalisation Issue but before the exercise of the options granted under the Pre-IPO Share Option Scheme		Approximate shareholding structure immediately after completion of the Share Offer and the Capitalisation Issue and full exercise of the options granted under the Pre- IPO Share Option Scheme	
	<i>Number of</i>		<i>Number of</i>	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Tobias Benjamin Hekster	55,609,018	13.91%	55,609,018	13.60%
Godefriedus Jelte Heijboer	55,607,644	13.90%	55,607,644	13.59%
True Partner Participation Limited	55,577,399	13.89%	55,577,399	13.58%
True Partner International Limited	44,808,908	11.20%	44,808,908	10.96%
Edo Bordoni	29,839,153	7.46%	29,839,153	7.30%
Red Seven Investment Ltd	27,686,280	6.92%	27,686,280	6.77%
Johan Marianus Cecil Cornelissen	11,948,034	2.99%	11,948,034	2.92%
Thorsten Gragert	5,973,330	1.49%	5,973,330	1.46%
Dao Management Ltd	5,475,667	1.37%	5,475,667	1.34%
Robert John Kavanagh	4,487,215	1.12%	4,487,215	1.10%
Remco Janssen	2,987,352	0.75%	2,987,352	0.73%
Grantees under the Pre-IPO Share Option Scheme	–	–	8,997,804	2.25%
Public Shareholders	<u>100,000,000</u>	<u>25.00%</u>	<u>100,000,000</u>	<u>24.45%</u>
Total	<u>400,000,000</u>	<u>100.00%</u>	<u>408,997,804</u>	<u>100.00%</u>

E. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the written resolutions of all Shareholders passed on 22 September 2020 and adopted by the resolutions passed by our Board on 22 September 2020. The terms of the Share Option Scheme are in accordance with the provisions under the Listing Rules. As at the Latest Practicable Date, no option has been granted pursuant to the Share Option Scheme.

(A) Principal terms***(a) Purpose of the Share Option Scheme***

The Share Option Scheme was put in place for the long-term incentive of directors and senior employees of the Company and its subsidiaries.

(b) Who may be entitled to the options under the Share Option Scheme

Our Company (acting through our Board) may grant an option to any employee of our Group as we choose.

(c) Price of Shares

Our Company (acting through our Board) can determine the exercise price of the options for the allotment and issue of our Shares under the Share Option Scheme at our discretion so long as the exercise price is not lower than the nominal value of our Shares.

(d) Grant of options

Our Company may grant options under the Schemes at any time unless when that grant would be prohibited by, or in breach of, any law or regulation with the force of law.

No amount shall be paid by an employee for the grant of an option under the Share Option Scheme.

(e) Maximum number of Shares available for subscription

The maximum number of Shares subject to the Share Option Scheme is 40,000,000 Shares, representing 10.0% of the then total issued Shares immediately before the adoption of the Share Option Scheme.

(f) Exercise of options

An option may be exercised in accordance with the terms of the Share Option Scheme and the relevant option certificate at any time during the exercise period (the “**Exercise Period**”) subject to the provisions of early termination thereof.

Save as disclosed in "D. Pre-IPO Share Option Scheme" above, no further options will be granted under the Pre-IPO Share Option Scheme and the Share Option Scheme prior to the Listing Date. All options granted under the Pre-IPO Share Option Scheme are exercisable pursuant to the grant letters to the option holders, for a period of six months after the vesting date.

(g) Rights are personal to grantee

An option holder may not transfer or assign, or have any charge or other security interest created over an option (or any right arising under it). An option shall lapse if the relevant option holder attempts to do any of those things. However, the plan of the Share Option Scheme does not prevent the transmission of an option to an option holder's personal representatives on the death of the option holder.

(h) Rights on cessation of employment by death

If an option holder dies, the option holder's personal representatives may exercise such proportion of the option as our Board may specify during the period ending 12 months after the option holder's death. Such option shall lapse on the first anniversary of the option holder's death.

(i) Rights on cessation of employment

Subject to the plan of the Share Option Scheme, an option holder who gives or receives notice of termination of employment (whether or not lawful) may not exercise an option under any rule of the plan of the Share Option Scheme at any time while the notice remains effective.

Furthermore, an option holder who ceases to be an employee (whether or not following notice) may not exercise an option at any time after ceasing to be an employee under any rule of the plan of the Share Option Scheme unless:

- (a) the cessation is for reason other than death, injury, ill health, disability, retirement, redundancy, or employer ceasing to be our Group, our Board permits the exercise of the option before (i) the earliest date on which the option may be exercised as set out in the relevant certificate; or (ii) any exercise condition relating to that option has been satisfied by such option holder such proportion of the option as our Board may specify during the next exercise period, or such other period (not to be shorter than 14 days) as our Board may specify. The option shall lapse, to the extent not exercised, on the expiry of the relevant exercise period, or such other period specified by our Board as applicable;
- (b) the cessation is for the reason of injury, ill health, disability, retirement, redundancy, or employer ceasing to be our Group, the option holder may exercise such proportion of the option as our Board may specify during the next exercise period, or such other period (not to be shorter than 14 days) as our Board may specify;

- (c) an option holder who gives or receives notice of termination of employment or who ceases to be an employee (i) for any reason other than summary dismissal, (ii) on or after the earliest date on which the option may be exercised as set out in the relevant option certificate; and (iii) after any exercise condition relating to that option has been satisfied, may exercise the option during the next exercise period or such other period (not to be shorter than 14 days) as our Board may specify. The option shall lapse, to the extent not exercised, on the expiry of the relevant exercise period, or such other period specified by our Board, as applicable.

Except where the option holder has died, an option shall lapse on the earliest of the following:

- (a) any attempted action by the option holder falling with paragraph (g) above;
- (b) when our Board so decides in accordance with the plan of the Share Option Scheme, to the extent that an exercisable condition has become wholly or partly incapable of being met;
- (c) any date on which the option shall lapse, as specified in the relevant option certificate;
- (d) if paragraph (i)(a) above applies, our Board (i) decides that it will not permit the option holder to exercise the option, the date our Board decides; or (ii) makes no decision, 90 days after the option holder ceases to be an employee;
- (e) if paragraph (i) applies, the end of the relevant exercise period or such period as is determined by our Board; and
- (f) when the option holder becomes bankrupt under Part IX of the Insolvency Act 1986, applies for an interim order under Part VIII of the Insolvency Act 1986, proposes or make a voluntary arrangement under Part VIII of the Insolvency Act 1986, takes similar steps or is similarly affected, under laws of any jurisdiction that correspond to those provisions of the Insolvency Act 1986.

(j) *Rights on a general offer*

Subject to the plan of the Share Option Scheme, if a person (i) makes an offer to acquire the whole of the issued share capital of our Company, which is made on a condition such that, if it is satisfied, that person will have control of our Company; (ii) makes an offer to acquire all our Shares; or (iii) negotiates a share sale and purchase agreement with our Shareholders which contemplates that that person will obtain control of our Company on completion, then our Board may in its absolute discretion direct that the option holder may exercise the proportion of the options determined by our Board within a reasonable period to be specified by the Board for that purpose and ending immediately before the change of control. Any options not exercised at the end of the period specified by our Board shall lapse.

Subject to the plan of the Share Option Scheme, if a person obtains control of our Company as a result of (i) making an offer to acquire the whole of the issued share capital of our Company; or (ii) making an offer to acquire all our Shares; or (iii) entering into a sale and purchase agreement with our Shareholders, then the option holder may exercise the proportion of the options determined by our Board within 90 days after the time when that person has obtained control of our Company. The option shall lapse at the end of the 90 day period.

(k) Rights on winding-up

If our Shareholders receive notice of a resolution for the voluntary winding up of our Company, any option holder may exercise the proportion of the options determined by our Board at any time before that resolution is passed, conditional upon the passing of that resolution, and if the option holder does not exercise the option, it shall lapse when the winding up begins.

(l) Rights on compromise or arrangement

Unless the relevant compromise or arrangement includes appropriate provisions that our Board considers to be fair in its reasonable opinion for (i) the replacement of options; or (ii) other compensation for option holders for the loss of options, the option holder may exercise a proportion of their option within six weeks after any person who obtains control of our Company as a result of the court sanctioning a compromise or arrangement under section 899 of the Companies Act 2006.

(m) Alteration to the Share Option Scheme

Our Board may amend the plan of the Share Option Scheme from time to time, except that our Board may not amend the plan if the amendment (i) applies to options granted before the amendment was made; and (ii) materially adversely affects the interests of option holders, except that each option holder may consent to the application to their option of such an amendment.

F. OTHER INFORMATION

1. Indemnities

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 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 nor 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 have been or may be granted under the Pre-IPO Share Option Scheme and 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.

The fee payable by our Company to the Sole Sponsor to act as sponsor in relation to the Share Offer is approximately HK\$5 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 Partners Limited 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 US\$8,000 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)
PKF Hong Kong Limited	Certified Public Accountants
PKF Tax and Business Consultants Limited	Transfer pricing consultant
Kwok Yih & Chan	Legal adviser to our Company as to Hong Kong law
Appleby	Legal adviser to our Company as to Cayman Islands law
Christophe Campana	Industry expert

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 Appleby Global Services (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 – No 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 31 March 2020 (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 31 March 2020 (being the date to which the latest audited combined financial statements of our Group were made up), and there had been no event since 31 March 2020 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.

14. 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.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) the Green Application Form;
- (b) the written consents referred to in “Appendix IV – Statutory and General Information – F. Other Information – 8. Consents of experts” to this prospectus; and
- (c) copies of the material contracts referred to in “Appendix IV – Statutory and General Information – B. Further information about the business of our group – 1. Summary of material contracts” to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Kwok Yih & Chan of Suites 2103–05, 21st Floor, 9 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and Articles of Association;
- (b) the accountants’ report from PKF Hong Kong Limited, the text of which is set out in “Appendix IA – Accountant’s Report” to this prospectus;
- (c) the audited consolidated financial statements of our Group for each of the two years ended 31 December 2019 and the three months ended 31 March 2020;
- (d) the report on review of interim condensed consolidated financial information of the Group as of and for the three and six months ended 30 June 2020 received from PKF Hong Kong Limited, the text of which is set out in Appendix IB to this prospectus;
- (e) the report on unaudited pro forma financial information of our Group prepared by PKF Hong Kong Limited, the text of which is set out in “Appendix II – Unaudited Pro Forma Financial Information” to this prospectus;
- (f) the industry report commissioned by us and prepared by Mr. Christophe Campana in relation to the industry of our Group;
- (g) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands Company Law referred to in “Appendix III – Summary of the constitution of our Company and Cayman Companies Law” to this prospectus;
- (h) the transfer pricing report commissioned by us and prepared by PKF Tax and Business Consultants Limited in relation to the transfer pricing policies of the Company;
- (i) the Companies Law;

- (j) the material contracts referred to in “Appendix IV – Statutory and General Information – B. Further information about the business of our group – 1. Summary of material contracts” to this prospectus;
- (k) the service agreements and appointment letters referred to in “Appendix IV – Statutory and general information – C. Further information about directors, management and staff – (b) Particulars of service contracts” to this prospectus;
- (l) the written consents referred to in “Appendix IV – Statutory and General Information – F. Other information – 8. Consents of experts” to this prospectus;
- (m) the rules of the Pre-IPO Share Option Scheme; and
- (n) the rules of the Share Option Scheme.

**True Partner
Capital Holding**
