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Application Proof of

## **DLC Asia Limited** **衍匯亞洲有限公司\***

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

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**DLC ASIA**  
**DLC Asia Limited**  
**衍匯亞洲有限公司\***

(incorporated in the Cayman Islands with limited liability)

[REDACTED]

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

**Sole Sponsor**



**紅日資本有限公司**  
**RED SUN CAPITAL LIMITED**

[REDACTED]

[REDACTED]

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The [REDACTED] is expected to be fixed by agreement between the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company on the [REDACTED], which is expected to be on or around [REDACTED]. The [REDACTED] will not be more than HK\$[REDACTED] per [REDACTED] and is currently expected to be not less than HK\$[REDACTED] per [REDACTED]. If, for any reason, the [REDACTED] is not agreed by [REDACTED] between the [REDACTED] (for itself and on behalf of the [REDACTED]) and our Company, the [REDACTED] will not proceed and will lapse. In the case of such event, a notice will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.derivaasia.com](http://www.derivaasia.com).

The [REDACTED] (for itself and on behalf of the [REDACTED]) may, with the consent of our Company, reduce the number of [REDACTED] in the [REDACTED] and/or the indicative [REDACTED] range stated in this document (which is HK\$[REDACTED] to HK\$[REDACTED] per [REDACTED]) at any time on or prior to the morning of the last day for lodging applications under the [REDACTED]. In such a case, notices of the reduction in the number of [REDACTED] in the [REDACTED] and/or the indicative [REDACTED] range will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.derivaasia.com](http://www.derivaasia.com) not later than the morning of the day which is the last day for lodging applications under the [REDACTED]. If applications for [REDACTED] have been submitted prior to the day which is the last day for lodging applications under the [REDACTED], such applications cannot be subsequently withdrawn even if the number of [REDACTED] in the [REDACTED] and/or the indicative [REDACTED] range is so reduced.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this document, including the risk factors set out in the section headed "Risk factors" in this document.

Prospective investors of the [REDACTED] should note that the obligations of the [REDACTED] under the [REDACTED] are subject to termination by the [REDACTED] (for itself and on behalf of the [REDACTED]) upon the occurrence of any of the events set forth under the section headed "[REDACTED] — [REDACTED] [REDACTED] arrangements and expenses — Grounds for termination" in this document at any time prior to 8:00 a.m. (Hong Kong time) on the [REDACTED]. Further details of these termination provisions are set out in the section headed "[REDACTED]" in this document.

The [REDACTED] have not been and will not be registered under the US Securities Act or any state securities law in 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 US Securities Act and applicable US state securities laws. The [REDACTED] are being offered and sold outside the United States in reliance on Regulation S under the US Securities Act and the applicable laws of each jurisdiction where those [REDACTED] and sales occur.

\* For identification purpose only

[REDACTED]

## CHARACTERISTICS OF GEM

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to 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 publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspaper. Accordingly, prospective investors should note that they need to have access to the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) in order to obtain up-to-date information on GEM-listed issuers.

**EXPECTED TIMETABLE <sup>(1)</sup>**

[REDACTED]

**EXPECTED TIMETABLE <sup>(1)</sup>**

[REDACTED]

**EXPECTED TIMETABLE <sup>(1)</sup>**

[REDACTED]

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*This document is published solely in connection with the [REDACTED], which forms part of the [REDACTED]. It does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] to buy any security other than the [REDACTED] offered by this document. This document may not be used for the purpose of and does not constitute an [REDACTED] to sell or a solicitation of an [REDACTED] in any other jurisdiction or in any other circumstances.*

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## SUMMARY

*This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decide to invest in the [REDACTED].*

*There are risks associated with any investment. Some of the particular risks in investing in the [REDACTED] are set out in the section headed "Risk factors" in this document. You should read that section carefully before you decide to invest in the [REDACTED].*

## BUSINESS OVERVIEW

Our Group is an interdealer broker in Hong Kong providing derivatives brokerage services to Professional Investors. Our Group carries out our derivatives brokerage business through our wholly-owned subsidiary, De Riva, which is a licensed corporation under the SFO and a HKFE Exchange Participant. De Riva is licensed by the SFC to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities in Hong Kong for Professional Investors without providing any margin financing services. Under the licensing condition, De Riva can only provide services to Professional Investors.

The principal business of our Group is derivatives brokerage, which involves matching and/or executing and settling derivatives trade orders for our customers. When our customers place a trade order, it usually involves a combination of futures and options and other derivatives products, which are typically viewed as a single product by our customers in the derivatives market. During the Track Record Period, our Group derived all of our revenue from commission income for derivatives brokerage services provided to our customers.

During the Track Record Period, our trade orders involved listed derivatives products which were either executed on the HKEx or the SGX, and non-listed derivatives products which were all executed OTC. Our Group has entered into arrangements with a number of execution brokers to provide derivative services for SGX listed derivatives and HKEx listed single stock options as De Riva does not have the relevant trading rights. Hence, our Group acted as an agent to arrange for and match up trade orders without providing any execution, settlement or clearing services, and trading parties are directly responsible for all risks involved in the OTC transactions.

Our Directors believe that the major reason our customers would choose to trade through our Group is that our Group is able to (i) source liquidity for our customers to match up trade orders, through acting as a contact point among the potential trading parties, our Group would be able to facilitate information flow, which gives us an advantage over our customers in terms of our access to liquidity, and (ii) provide anonymity and confidentiality for their interests before the trade orders are matched.

## SUMMARY

The table below sets out our revenue breakdown by channel of execution:

	For the year ended 31 March					
	2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
HKEx	50,882	84.5	46,681	78.1	64,033	83.4
SGX	7,356	12.2	11,657	19.5	8,016	10.5
OTC	1,968	3.3	1,414	2.4	4,710	6.1
<b>Total</b>	<b>60,206</b>	<b>100.0</b>	<b>59,752</b>	<b>100.0</b>	<b>76,759</b>	<b>100.0</b>

### CUSTOMERS

Our customers are all Professional Investors as defined under the SFO, including investment banks, market makers, and funds. As at 31 March 2016, 31 March 2017 and 31 March 2018, our Group had a total of 76, 78, and 85 customers, of which 50, 45 and 44 of them are active customers (*note*), respectively. For each of the three years ended 31 March 2016, 31 March 2017, and 31 March 2018, our largest customer accounted for approximately 8.7%, 10.5% and 10.0% of our total turnover, respectively. Our five largest customers, in aggregate, accounted for approximately 35.9%, 41.0% and 46.1% of our total turnover, respectively. For further details, please refer to the section headed "Business — Our customers" in this document.

### SERVICE PROVIDERS

Our Group does not have any major supplier due to our business nature. However, during the Track Record Period, our Group engaged various service providers for the services necessary for our business operations. As De Riva is not a clearing participant, hence our Group outsources the clearing functions to a service provider which is a Clearing Participant. Our top five service providers include clearing brokers, execution brokers, a market data vendor and a network service provider. For each of the three years ended 31 March 2016, 31 March 2017, and 31 March 2018, our largest service provider accounted for approximately 40.9%, 18.6% and 36.8% of our total other operating expenses, respectively. Our five largest service providers, in aggregate, accounted for approximately 70.4 %, 68.5% and 60.1% of our total other operating expenses respectively. For details, please refer to the section headed "Business — Our service providers" in this document.

### COMPETITIVE LANDSCAPE

According to the CIC Report, between 2012 and 2017, the market size of the derivatives brokering industry in terms of brokerage fees income in Hong Kong increased from HK\$2.5 billion to HK\$4.5 billion at a CAGR of 12.1%. Further, the total market size of the derivatives brokerage industry is forecasted to reach HK\$7.1 billion in 2022 at a CAGR of 9.8% from 2017. As of June 2018, there were a total of 9 General Clearing Participants, 160 Clearing Participants, and 22 non-clearing participants on the HKFE with a type 2 licence issued by the SFC, of which 15 of them were providing brokerage services to

*Note: For the purposes of this document, active customers are customers who have traded through our Group in previous 12 months.*

## SUMMARY

external parties on derivatives contracts. The competition focuses in the industry that our Group operates include (i) regulatory requirements; (ii) capital requirements; (iii) expertise knowledge; and (iv) IT infrastructure. For further details, please refer to the section headed “Industry overview” in this document.

### OUR COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths comprise (i) experienced and competent senior management with strong customer base; (ii) extensive customer network and quality services as an interdealer broker in the derivatives market; and (iii) diversified background of our licensed brokers. For further details, please refer to the section headed “Business — Our competitive strengths” in this document.

### FINANCIAL INFORMATION

#### Combined statements of profit or loss and other comprehensive income

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	60,206	59,752	76,759
Profit before tax	16,147	14,222	7,800
Profit and total comprehensive income for the year attributable to the owners of the Company	13,491	11,857	4,778
Adjusted net profit <sup>(Note)</sup>	13,491	11,857	15,388

*Note:* Adjusted net profit represents our profit and total comprehensive income for the year attributable to owners of our Company for the year excluding [REDACTED]. Adjusted net profit is not a measure of performance under HKFRSs and accounting principles generally accepted in Hong Kong. The use of these non-HKFRSs measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under HKFRSs.

The decrease in revenue from the year ended 31 March 2016 to the year ended 31 March 2017 was mainly due to decrease in revenue for the HKEx segment and OTC segment and partly offset by the increase in revenue from the SGX segment. The decrease in profit before tax from the year ended 31 March 2016 to the year ended 31 March 2017 was mainly due to the increase in other operating expenses mainly resulting from increase in clearing fees for increased trading volume, in error and facilitation expenses for a non-recurring error trade, and in marketing expenses for building up relationships with our existing and potential customers. The decrease in profit from the year ended 31 March 2016 to the year ended 31 March 2017 was due to the decrease in profit before tax as stated above and more tax effect of expenses not deductible during the year. The increase in revenue from the year ended 31 March 2017 to the year ended 31 March 2018 was mainly due to the increase in revenue from the HKEx segment and the OTC segment offset by the decrease in the SGX segment. The decrease in profit before tax and profit after tax from the year ended 31 March 2017 to the year ended 31 March 2018 was mainly due to the [REDACTED] of approximately HK\$[REDACTED] incurred during the respective year.

## SUMMARY

### Combined statements of financial position

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Non-current assets	1,424	1,267	3,302
Current assets	37,724	46,759	53,596
Current liabilities	8,236	9,257	13,351
Net current assets	29,488	37,502	40,245
Net assets/Total equity	<u>30,912</u>	<u>38,769</u>	<u>43,547</u>

The increase in net assets of our Group from approximately HK\$30.9 million as at 31 March 2016 to approximately HK\$38.8 million as at 31 March 2017 was mainly attributable to the profit for the year ended 31 March 2017 and partly offset by the distribution of dividend. The increase in net assets of our Group from approximately HK\$38.8 million as at 31 March 2017 to approximately HK\$43.5 million as at 31 March 2018 was mainly attributable to the deposits paid for acquisition of property and equipment and the increase in trade receivables.

### Combined statements of cash flows

	For the year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Operating cash flows before movements in working capital	16,462	14,427	7,988
Net cash from operating activities	4,524	10,234	4,028
Net cash used in investing activities	(559)	(41)	(1,618)
Net cash used in financing activities	<u>(860)</u>	<u>–</u>	<u>(4,000)</u>
Net increase/(decrease) in cash and cash equivalents	3,105	10,193	(1,590)
Cash and cash equivalents at the beginning of the year	<u>8,895</u>	<u>12,000</u>	<u>22,193</u>
Cash and cash equivalents at the end of the year	<u>12,000</u>	<u>22,193</u>	<u>20,603</u>

The increase in our cash and cash equivalents for the year ended 31 March 2016 was mainly attributable to the profit for the year and partly offset by the increase in trade receivables, and prepayments, deposits and other receivables, purchase of intangible assets and dividends paid. The increase in our cash and cash equivalents for the year ended 31 March 2017 was mainly attributable to the profit for the year and decrease in prepayments, deposits and other receivables and partly offset by the decrease in operating cash flows before movements in working capital due to the decrease in net profit, and other payables and accruals. The decrease in our cash and cash equivalents for the year ended 31 March 2018 was mainly attributable to the deposit paid for the acquisition of

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property and equipment and the dividend paid to the then shareholders of De Riva, and partly offset by the operating cash outflow before movements in working capital due to the non-recurring [REDACTED], and the profit for the year ended 31 March 2018.

### Key financial ratios

	For the year ended/As at 31 March			
	2016	2017	2018	2018 (adjusted <sup>(note)</sup> )
<b>Profitability ratios</b>				
Return on equity	43.6%	30.6%	11.0	35.3
Return on total assets	34.5%	24.7%	8.4	27.0
Net profit margin	22.4%	19.8%	6.2	20.0
<b>Liquidity ratio</b>				
Current ratio	4.6 times	5.1 times	4.0 times	4.0 times
<b>Capital adequacy ratios</b>				
Interest coverage	N/A	2,032.7 times	206.3 times	485.5 times
Gearing ratio	N/A	N/A	1.7%	1.7%
Debt to equity ratio	Net cash	Net cash	Net cash	Net cash

*Note:* The ratios are calculated by adjusted net profit the non-recurring [REDACTED] incurred for the respective year. Adjusted net profit for the year represents our profit for the year excluding [REDACTED]. Adjusted net profit is not a measure of performance under HKFRSs and accounting principles generally accepted in Hong Kong. The use of these non-HKFRSs measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under HKFRSs.

The decrease in return on equity from the year ended 31 March 2016 to the year ended 31 March 2017 was attributable to the decrease in profit in the year ended 31 March 2017 and the larger equity base as at 31 March 2017. Our return on equity for the year ended 31 March 2018 further decreased to approximately 11.0%. The adjusted return on equity for the year ended 31 March 2018 would be approximately 35.3% if [REDACTED] were excluded, an increase from 30.6% for the year ended 31 March 2017, mainly due to the increase in net profit (excluding the non-recurring [REDACTED] of approximately HK\$[REDACTED]) of HK\$15.4 million. The return on total assets for the year ended 31 March 2017 decreased mainly due to the significant increase in cash and cash equivalents and decrease in profit from the year ended 31 March 2016 to the year ended 31 March 2017. Our return on assets for the year ended 31 March 2018 further decreased to approximately 8.4%. The adjusted return on assets for the year ended 31 March 2018 would be approximately 27.0% if [REDACTED] were excluded, an increase from 24.7% for the year ended 31 March 2017, mainly due to the increase in net profit (excluding the non-recurring [REDACTED] of approximately HK\$[REDACTED]) of HK\$15.4 million. Our net profit margin for the year ended 31 March 2017 decreased mainly due to the increase in the other operating expenses, in particular the clearing fees, error and facilitation expenses and marketing expenses. Our net profit margin for the year ended 31 March 2018 further decreased to approximately 6.2%. The net profit margin for the year ended 31 March 2018 would be approximately 20.0% if [REDACTED] were excluded, an increase from 19.8% for the year ended 31 March 2017, mainly due to the increase in revenue of approximately 28.5% with a decrease in other operating expenses of approximately 6.4% during the year. Our current ratio improved as at 31 March 2016 to 31 March 2017 was mainly due to the significant increase in cash and cash equivalents, mainly resulting from the profit in the

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year ended 31 March 2017. Our current ratio decreased to approximately 4.0 times as at 31 March 2018, which is mainly due to the increase in other payables and accruals from approximately HK\$5.3 million as at 31 March 2017 to approximately HK\$12.0 million as at 31 March 2018, mainly resulting from the increase in unpaid bonus and the accrual of [REDACTED] offset by settlement of dividend payable of approximately HK\$4.0 million. Our interest coverage was not applicable and approximately 2,032.7 times for the two years ended 31 March 2016 and 2017 respectively, due to the overdraft interest of approximately HK\$7 thousand incurred for the year ended 31 March 2017. Our interest coverage decreased to approximately 206.3 times for the year ended 31 March 2018, primarily due to the recognition of non-recurring [REDACTED] of approximately HK\$[REDACTED] for the year ended 31 March 2018. The adjusted interest coverage for the year ended 31 March 2018 would be approximately 485.5 times if [REDACTED] were excluded, a decrease from approximately 2,032.7 times for the year ended 31 March 2017, mainly due to the finance cost incurred from the bank overdraft during the year. Our gearing ratio was not applicable as at 31 March 2016 and 31 March 2017 respectively as there were no loans and borrowings during the period.

Our gearing ratio was approximately 1.7% as at 31 March 2018, which was mainly attributable to the bank overdraft of approximately HK\$758 thousand as at 31 March 2018. Our Group recorded net cash positions as at 31 March 2016, 31 March 2017 and 31 March 2018 and therefore debt to equity ratio was not applicable. Please refer to the section headed "Financial information — Key financial ratios" in this document for further details.

### SHAREHOLDING OF OUR COMPANY

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Share which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme), Oasis Green (a company wholly-owned by Pacific Asset, which is wholly-owned by Mr. Yu, our non-executive Director) will be interested in [REDACTED]% of the issued share capital of our Company and is entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company. Besides, Dense Jungle and Beyond Delta (beneficially wholly-owned by Mr. Ng and Mr. Choi, our executive Director and [REDACTED]) will be interested in [REDACTED]% and [REDACTED]% of the issued share capital of our Company respectively. Jolly Ocean is wholly-owned by Santo Global, which is wholly-owned by Mr. Lau Ming Hong, Henry (the brother of Mr. Lau, our executive Director) and is one of the [REDACTED]. Jolly Ocean will hold [REDACTED] Shares (representing [REDACTED]% of the total issued share capital of our Company) immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Share which may be allotted and issued upon the exercise of any option which may be granted under the Share Option Scheme). For further details, please refer to the section headed "History, Reorganisation and corporate structure — [REDACTED]" in this document.

### RISK FACTORS

There are certain risks involved in our business operations, many of which are beyond our control. Our Directors believe that the major risks that may have a material adverse impact on our Group include (i) our revenue was completely dependent on our commission for our derivatives brokerage services, of which a large proportion was



## SUMMARY

generated from a limited number of customers and the number of contracts or notional value traded from our major customers; (ii) our Group may not be able to maintain our brokerage commission rate charged to our customers; (iii) unfavourable or uncertain economic and market conditions could materially and adversely undermine our customers' performances; (iv) our Group may be unable to compete effectively against our competitors; (v) our business operations are dependent on the services provided by our clearing brokers and execution brokers; and (vi) our Group may fail to obtain or maintain or renew licences and permits necessary for our business operations.

### INTERNAL CONTROL

We have in place internal control policies and measures for our business activities and we engaged an independent internal control adviser to conduct an internal control review on our Group in May 2017. During the Track Record Period, De Riva identified one material error trade amounted to approximately HK\$1.8 million which adversely affected our profit and which arose from the miscommunication between our Group and our execution broker. For further details please refer to the section headed "Business — Internal control — Error trade" in this document. De Riva has since then established and implemented a number of procedures to prevent any recurrence of error of this nature in the future. In addition, the SFC carried out an inspection in 2017 on De Riva and comments were made in regard to our then internal control procedures. De Riva were required to take measures to rectify the deficiencies and respond to the SFC in writing with the proposed remedial actions. De Riva had also updated our compliance and operation manuals and submitted the summary of our rectifying measures to the SFC. De Riva received a letter from the SFC in November 2017 confirming that there were no further comments regarding our business operations. For further details, please refer to the section headed "Business — Internal control" in this document.

### RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group had continued to focus on providing timely, quality and reliable derivatives brokerage services to our customers, and to strengthen our licensed brokers' force to maintain our business activity, revenue and capture available market opportunities in the ordinary course of our business. During this period, (i) our Group has expanded our product coverage to OTC KOSPI 200 derivatives market; (ii) our Group has hired two senior licensed brokers in October 2017 due to the departure of a senior licensed broker in August 2017 and to expand our market share in the Hong Kong and Singapore derivatives markets; (iii) Santo Global has become a substantial shareholder of our Company through the acquisition of [REDACTED]% of the then issued share capital of De Riva from Pacific Asset on 1 November 2017; and (iv) De Riva entered into a tenancy agreement with an Independent Third Party for a bigger office premises in January 2018 and moved to such office premises in April 2018, to accommodate the expansion of our business operations.

### OUR BUSINESS STRATEGIES

Our Group intends to further strengthen our position as an interdealer broker in Hong Kong. Our Group plans to continue expanding our customer network in Hong Kong and enhance our competitive strengths to expand our market share. Our Group will continue to strengthen our derivatives brokerage business through expanding our product coverage. Our business strategies include: (i) to apply for becoming a Clearing

**SUMMARY**

Participant; (ii) to expand our OTC product coverage; (iii) to expand our office premises to accommodate the expansion of our business operations; and (iv) to enhance the business development of the HKEx segment of our Group. For further details, please refer to the section headed “Business — Our business strategies” in this document.

**REASONS FOR THE [REDACTED] AND [REDACTED]**

Our Directors believe that the [REDACTED] not only will allow us to raise [REDACTED] to facilitate the execution of our business strategies as set out in the section headed “Business — Our business strategies” in this document, in particular, to provide our Group the capital needed for the application of becoming a Clearing Participant which is expected to significantly reduce the cost in our business operation and thence improve our profitability as a whole, but also will provide a fund raising platform for our future development for further growth when necessary as the [REDACTED] will necessitate a broader shareholder base which will therefore provide liquidity in the trading of the Shares. Furthermore, our Directors are of the view that the [REDACTED] will enhance and strengthen the corporate image and credibility to our existing customers who are Professional Investors and our potential customers, and expectantly, will increase our revenue by increasing trading volume with our existing customers and onboarding more new customers. For further details, please refer to the section headed “Future plans and [REDACTED]” in this document.

The [REDACTED] from the [REDACTED] based on the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED], after deducting the related expenses, are estimated to be approximately HK\$[REDACTED] million. Our Directors presently intend to apply the [REDACTED] as follows:

	From the Latest Practicable Date to 30 September 2018 HK\$'000	For the six months ending 31 March 2019 HK\$'000	For the six months ending 30 September 2019 HK\$'000	For the six months ending 31 March 2020 HK\$'000	For the six months ending 30 September 2020 HK\$'000	For the six months ending 31 March 2021 HK\$'000	Total HK\$'000
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>



## SUMMARY

[REDACTED]

Assuming the [REDACTED] of HK\$[REDACTED] per [REDACTED], being the mid-point of the indicative [REDACTED], the total expenses for the [REDACTED] are estimated to be approximately HK\$[REDACTED], of which approximately HK\$[REDACTED] was recognised as [REDACTED] in our combined statements of profit or loss during the year ended 31 March 2018. We expected to incur [REDACTED] of approximately HK\$[REDACTED] which will be recognised as [REDACTED] for the year ending 31 March 2019. The balance of approximately HK\$[REDACTED] is expected to be recognised as a reduction in equity upon [REDACTED]. In view of the above, our Directors are of the view that the one-off [REDACTED], which are non-recurring in nature, will have a material adverse effect on the financial results of our Group the year ending 31 March 2018, and our Group may result in loss. Our Group wishes to emphasise that the aforesaid amount of [REDACTED] is a current estimate for reference only and the final amount to be recognised in our combined statement of profit or loss for the year ending 31 March 2018 will be subject to adjustments based on audit and changes in variables and assumptions.

### DIVIDENDS

Our Group declared a dividend of approximately HK\$0.9 million for the year ended 31 March 2015 and HK\$4.0 million for the year ended 31 March 2016 on 17 June 2015 and 29 March 2017 respectively to the then shareholders of De Riva, which was fully settled in cash by internal resources in June 2015 and April 2017 respectively. Save as the above, no dividend has been paid or declared by other companies comprising our Group during the Track Record Period and up to the Latest Practicable Date. The declaration, payment and amount of dividends will be at the discretion of our Directors, subject to approval by our Shareholders, and will be dependent upon the factors stated in the section headed "Financial information — Dividends" in this document. Our Group does not currently have any predetermined dividend distribution ratio.

### MATERIAL ADVERSE CHANGE

From 1 April 2018 up to the Latest Practicable Date, our Group has continued to focus on developing our derivatives brokerage business. Our Directors confirm that, save as the [REDACTED] set out in the paragraph headed "[REDACTED]" in this section, since 31 March 2018 and up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of our Group, and there is no event which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

**SUMMARY**

[REDACTED] STATISTICS

[REDACTED]

## DEFINITIONS

*In this document, unless the context otherwise requires, the following terms shall have the meanings set out below.*

"Accountants' Report" the accountants' report on our Group prepared by the reporting accountants for the Track Record Period set out in Appendix I to this document

"AMLO" Anti-Money Laundering and Counter-Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong)

[REDACTED]

"Articles" or "Articles of Association" the articles of association of our Company conditionally adopted on [●] to take effect on the [REDACTED], a summary of which is set out in the paragraph headed "Articles of Association" in Appendix III to this document, as amended, supplemented or otherwise modified from time to time

"associate(s)" has the same meaning ascribed thereto under the GEM Listing Rules

"AUD" Australian dollars, the lawful currency of Australia

"Beyond Delta" Beyond Delta Limited, one of our Shareholders, a company incorporated in the BVI with limited liability on 3 November 2017 and wholly-owned by Mr. Choi

"Board" or "our Board" the board of Directors

"Business Day" a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business

"BVI" British Virgin Islands

## DEFINITIONS

"[REDACTED]"	the issue of [REDACTED] Shares to be made upon capitalisation of part of the sum standing to the credit of the share premium account of our Company referred to in the section headed "A. Further information about our Company — 3. Written resolutions of our Shareholders passed on [●]" in Appendix IV to this document
	[REDACTED]
"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 general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Operational Procedures"	the operational procedures of HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CHF"	Swiss franc, the lawful currency of Switzerland
"China" or "PRC"	the People's Republic of China, but for the purpose of this document only and unless otherwise indicated, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CIC"	China Insights Consultancy Limited, an independent industry consultant engaged by our Group
"CIC Report" or "Industry Report"	an independent industry report prepared by CIC and commissioned by our Company on the overview of the industry in which our Group operates

## DEFINITIONS

"clearing broker"	a member of an exchange who acts as a liaison between an investor and a clearing house to ensure the trade order is settled appropriately
"Clearing Participant"	a HKFE Exchange Participant entitled by the HKCC to record, register and clear contracts entered into by itself for its own account and on behalf of its clients
"close associate(s)"	has the same meaning ascribed thereto under the GEM Listing Rules
"Companies Laws"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, modified and supplemented from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) 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
"Company" or "our Company"	DLC Asia Limited, an exempted company incorporated in the Cayman Islands with limited liability on 1 November 2017
"connected person(s)"	has the same meaning ascribed thereto under the GEM Listing Rules
"connected transaction(s)"	has the same meaning ascribed thereto under the GEM Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it under the GEM Listing Rules and, in the context of our Company, refers to Oasis Green, Pacific Asset and its beneficial owner, Mr. Yu
"core connected person(s)"	has the same meaning ascribed thereto under the GEM Listing Rules
"Corporate Governance Code"	the Code on Corporate Governance Practices as set out in Appendix 15 to the GEM Listing Rules

## DEFINITIONS

"DCASS"	Derivatives Clearing and Settlement System (DCASS), the clearing and settlement system for derivatives products of the Stock Exchange
"De Riva"	De Riva Asia Limited, a company incorporated in Hong Kong with limited liability on 27 July 2009 and an indirect wholly-owned subsidiary of our Company upon completion of the Reorganisation. De Riva is licensed by the SFC to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO in Hong Kong, and is our principal operating subsidiary
"Deed of Indemnity"	the deed of indemnity dated [●] and executed by our Controlling Shareholders as indemnifiers in favour of our Company (for itself and as trustee for each of our subsidiaries from time to time) relating to, among other matters, the tax liabilities of our Group, particulars of which are set out in the section headed "E. Other Information — 1. Estate duty, tax and other indemnities" in Appendix IV to this document
"Deed of Non-competition"	the deed of non-competition dated [●] and executed by our Controlling Shareholders as covenantors in favour of our Company (for itself and as trustee for each of our subsidiaries from time to time) relating to, among other matters, their respective non-competition undertakings, particulars of which are set out in the section headed "Relationship with the Controlling Shareholders — Deed of non-competition undertakings" in this document
"Dense Jungle"	Dense Jungle Limited, one of our Shareholders, a company incorporated in the BVI with limited liability on 2 November 2017 and wholly-owned by Mr. Ng
"Director(s)"	the director(s) of our Company
"DLS Capital"	DLS Capital Limited, a company incorporated in the BVI with limited liability on 13 October 2017 and a direct wholly-owned subsidiary of our Company upon completion of the Reorganisation
"EUR"	Euro, the lawful currency of the member states of European Union

## DEFINITIONS

"EUREX"	Eurex Exchange, an international derivatives exchange headquartered in Eschborn, Germany and operated by Eurex Frankfurt AG and Eurex Zurich AG
"execution broker"	a brokerage firm licensed to process a trade order on behalf of a client
"Futures Commission Merchant"	means a company registered with the HKFE as an Exchange Participant and entitled to trade in futures contracts and/or options contracts on its own account, for the account of other HKFE Exchange Participants and for the account of any other persons
"Futures Exchange" or "HKFE"	Hong Kong Futures Exchange Limited
"GBP"	British Pound, the lawful currency of the United Kingdom
"GDP"	gross domestic product
"GEM"	GEM of Stock Exchange, as amended, supplemented or otherwise modified from time to time
"GEM Listing Rules"	the Rules Governing the Listing of Securities on GEM
"General Clearing Participant"	a clearing participant of the HKCC which registers and clears trades for its own account and its clients accounts and on behalf of non-clearing participants
"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
"Government"	the government of Hong Kong
	[REDACTED]
"Group", "our Group", "we", "our" or "us"	our Company together with its subsidiaries or, where the context otherwise requires, in respect of the period before our Company became the holding company of its present subsidiaries, the companies which carried on the business of the present Group at the relevant time
"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

## DEFINITIONS

[REDACTED]

"HKATS"	Hong Kong Futures Automated Trading System, a transaction-based network system
"HKCC"	HKFE Clearing Corporation Limited, which provide integrated clearing, settlement, depository and nominee activities to HKFE Exchange Participants
"HKCC Participant"	collectively, Clearing Participant and General Clearing Participant
"HKD" or "HK\$" and "cents"	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
"HKEx"	Hong Kong Exchanges and Clearing Limited
"HKEx Group"	Hong Kong Exchanges and Clearing Limited and its subsidiaries from time to time, and for the purposes of this document, includes HKSCC, HKCC, HKEx Hosting Services Limited, HKFE, LME and the SEOCH
"HKFE Exchange Participant(s)"	a licensed corporation to carry on type 2 (dealing in futures contracts) regulated activity under the SFO who, in accordance with the rules of the Futures Exchange, may trade on or through the Futures Exchange and whose name is entered in a list, register or roll kept by the Futures Exchange as a person who may trade on or through the Futures Exchange
"HKFRS(s)"	Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and Interpretations promulgated by the Hong Kong Accounting Standards Board
"HKICPA"	Hong Kong Institute of Certified Public Accountants
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of the HKEx



## DEFINITIONS

"HKSCC Nominees"	HKSCC Nominees Limited, a subsidiary of HKEx
	[REDACTED]
"Independent Third Party(ies)"	individual(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, is/are independent of and not connected (within the meaning of the GEM Listing Rules) with any of our Directors, chief executive or substantial shareholders of our Company or our subsidiaries or any of their respective associates within the meaning of the GEM Listing Rules
"Institutional Professional Investor(s)"	persons falling under paragraphs (a) to (i) of the definition of "professional investor" in Section 1 of Part 1 of Schedule 1 to the SFO
"Jolly Ocean"	Jolly Ocean Global Limited, one of our substantial Shareholders, a company incorporated in the BVI with limited liability on 31 October 2017 and wholly-owned by Santo Global
"JPY"	Japanese Yen, the lawful currency of Japan
"KOSPI 200"	a South Korean Index, indicative of the top 200 stocks in the Korea Exchange
"Latest Practicable Date"	11 June 2018, being the latest practicable date prior to the printing of this document for the purpose of ascertaining certain information contained in this document
	[REDACTED]
"Listing Division"	the listing division of the Stock Exchange (with responsibility for GEM)

## DEFINITIONS

"Main Board"	the Main Board of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company adopted on [●] as amended from time to time, a summary of which is set out in the paragraph headed "Memorandum of Association" in Appendix III to this document
"Mr. Choi"	Mr. Choi Man Ho (蔡文豪), one of our executive Directors and the chief executive officer of our Group, also a Licensed Representative accredited to De Riva
"Mr. Fung"	Mr. Fung Wai Yip Patrick (馮偉業), one of our executive Directors and a Responsible Officer accredited to De Riva
"Mr. Lau"	Mr. Lau Ming Yeung Lambert (劉名揚), one of our executive Directors and the Chairman of the Board and a Responsible Officer accredited to De Riva
"Mr. Lee"	Mr. Lee Tik Man Dick (李迪文), one of our executive Directors and a Responsible Officer accredited to De Riva
"Mr. Ng"	Mr. Ng Yu Fai (吳宇輝), one of our executive Directors and a Licensed Representative accredited to De Riva
"Mr. Yu"	Mr. Yu Kwok Tung (余國棟), our non-executive Director and one of our Controlling Shareholders
"MSCI"	Morgan Stanley Capital International
"Oasis Green"	Oasis Green Ventures Limited, one of our Controlling Shareholders, a company incorporated in the BVI with limited liability on 13 October 2017 and wholly-owned by Pacific Asset
"[REDACTED]"	[REDACTED]
"[REDACTED]"	collectively, the [REDACTED] and the [REDACTED]

## DEFINITIONS

“Pacific Asset”	Pacific Asset Limited, one of our Controlling Shareholders, and a company incorporated in Hong Kong with limited liability on 22 October 2012 and wholly-owned by Mr. Yu, our non-executive Director
“[REDACTED]”	the conditional [REDACTED] of the [REDACTED] at the [REDACTED] for and on behalf of our Company, as described in the section headed “Structure and conditions of the [REDACTED]” in this document
	[REDACTED]
“[REDACTED]”	the [REDACTED] of the [REDACTED] who is/are expected to enter into the [REDACTED] [REDACTED] to underwrite the [REDACTED]
“[REDACTED]”	the [REDACTED] expected to be entered into on or around the [REDACTED] by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor and the [REDACTED] relating to the [REDACTED]
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and the Companies (Winding up and Miscellaneous Provisions) Ordinance
“[REDACTED]”	The [REDACTED] in our Group by the [REDACTED] as set out in the section headed “History, reorganisation and corporate structure — [REDACTED]” in this document
“[REDACTED]”	Santo Global, Mr. Ng and Mr. Choi, which subscribed for the shares of De Riva pursuant to the [REDACTED], details of which are set out in the section headed “History, Reorganisation and corporate structure — [REDACTED]”

## DEFINITIONS

"[REDACTED]"	the agreement expected to be entered into between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) on or before the [REDACTED] to determine and record the [REDACTED]
"[REDACTED]"	the date, expected to be on or before [REDACTED] or such later date as may be agreed between our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]), on which the [REDACTED] is to be fixed for the purpose of the [REDACTED]
"Professional Investor Rules"	the Securities and Futures (Professional Investor) Rules (Chapter 571D of the Laws of Hong Kong)
	[REDACTED]
"[REDACTED]"	the [REDACTED] of the [REDACTED], whose name is/are set out under the section headed "[REDACTED] — [REDACTED]" in this document
"[REDACTED]"	the [REDACTED] dated [●] entered into by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor and the [REDACTED] relating to the [REDACTED]
"Red Sun Capital" or "Sole Sponsor"	Red Sun Capital Limited, a corporation licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the sole sponsor to the [REDACTED]
"Regulation S"	Regulation S under the US Securities Act

## DEFINITIONS

"Reorganisation"	the corporate reorganisation of our Group in preparation of the [REDACTED], particulars of which are set out in the section headed "History, Reorganisation and corporate structure" in this document
"Repurchase Mandate"	the general mandate to repurchase Shares given to our Directors by our Shareholders, particulars of which are summarised in the section headed "A. Further information about our Company — 3. Written resolutions of our Shareholders passed on [●]" in Appendix IV to this document
"Santo Global"	Santo Global Investments Limited, one of our substantial Shareholders, a company incorporated in Hong Kong with limited liability on 21 March 2014 and wholly-owned by Mr. Lau Ming Hong, Henry, brother of Mr. Lau
"SEOCH"	SEHK Options Clearing House Limited
"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
"SGD"	Singapore dollars, the lawful currency of Singapore
"SGX"	Singapore Exchange, a multi-asset exchange of equity, fixed income and derivatives products based in Singapore
"SGX-DC"	Singapore Exchange Derivatives Clearing Limited
"SGX-DT"	Singapore Exchange Derivative Trading Limited
"Share(s)"	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of our Company
"[REDACTED]"	the [REDACTED] and the [REDACTED]
"Share Option Scheme"	the share option scheme conditionally approved and adopted by our Company on [●], the principal terms of which are summarised in the section headed "D. Share Option Scheme" in Appendix IV to this document

## DEFINITIONS

"Shareholder(s)"	holder(s) of the issued Share(s) from time to time
	[REDACTED]
"Stock Exchange" or "SEHK"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the same meaning ascribed thereto under the GEM Listing Rules, unless the context otherwise requires
"substantial shareholder(s)"	has the same meaning ascribed thereto under the GEM Listing Rules, and details of our Company's substantial Shareholders are set out in the section headed "Substantial Shareholders" in this document
"Takeovers Code"	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs, as approved by the SFC and as amended, modified and supplemented from time to time
"Track Record Period"	the period comprising the three years ended 31 March 2016, 2017 and 2018
"U.S. Securities Act"	the United States Securities Act of 1933 (as amended from time to time)
"[REDACTED]"	the [REDACTED] and the [REDACTED]
"[REDACTED]"	the [REDACTED] and the [REDACTED]
"United States" or "US" or "USA"	the United States of America
"US\$" or "USD"	United States dollars, the lawful currency of the United States

[REDACTED]

## DEFINITIONS

[REDACTED]

"%"

per cent.

## GLOSSARY OF TECHNICAL TERMS

*The glossary of technical terms contains explanations and definitions of certain terms used in this document in connection with us and our business. The terms and their meanings may not correspond to meanings or usage of these terms as used by others.*

"Anti-Money Laundering Guideline"	Guidance on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC and became effective since July 2012
"bps"	basis points (1 basis point = 0.01%)
"CAGR"	compound annual growth rate, the year-on-year growth rate over a specified period of time
"Code of Conduct"	the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission issued by the SFC, and as amended, supplemented and/or otherwise modified from time to time
"delta"	the ratio of the change in price or theoretical value of a derivative contract with respect to change of price of the underlying asset
"delta one products"	derivatives products that have delta of one or very close to one
"FIA"	Futures Industry Association, a global trade organisation for the futures, options and centrally cleared derivatives markets
"FOA"	Futures and Options Association, now known as Futures Industry Association Europe, was merged along with FIA and Futures Industry Association Asia into a single organisation FIA on 8 January 2016
"FRR"	the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"futures"	a contract obligating the buyer and the seller to sell a specified property at a predetermined price and date
"futures contract"	a contract or an option on a contract made under the rules or convention of a futures market



## GLOSSARY OF TECHNICAL TERMS

"futures market"	a place where facilities are provided for persons to negotiate or conclude sales and purchases of, or for bringing together on a regular basis sellers and purchasers of, futures contracts
"ICG"	Management, Supervision and Internal Control Guidelines for persons Licensed by or Registered with the Securities and Futures Commission
"licensed corporation"	has the same meaning given by Section 1 of Part 1 of Schedule 1 to the SFO
"Licensed Representative(s)"	an individual who is granted a licence under section 120(1) or 121(1) of the SFO to carry on one or more regulated activities for a licensed corporation to which he/she is accredited
"Interdealer broker"	a brokerage firm that facilitates transactions between institutional clients and financial institutions in relation to a wide range of financial instruments, including listed securities and futures contracts, listed structured products, unlisted fixed income products and OTC derivatives
"Internet"	the global system of interconnected computer networks that use the protocol to link billions of electronic devices worldwide
	[REDACTED]
"IT"	information technology
"MFA"	Managed Funds Association, a global trade association for the hedge and managed futures fund industry
"notional value"	the value of a derivative contract's underlying assets at the spot price. In the case of an option contract, this is the number of units of an asset represented by the contract, multiplied by the spot price of the asset
"open trade order(s)"	trade order(s) placed on the trading system of the exchange for automatic order matching and execution which remains in effect until it is either canceled, executed or expired

## GLOSSARY OF TECHNICAL TERMS

"option"	a contract which gives the holder the right, but not the obligation, to buy or sell a specified asset at a predetermined price and date
"OTC"	over-the-counter
"Professional Investor(s)"	corporates or individuals as ascribed in Part I of Schedule I of SFO
"Responsible Officer(s)"	a Licensed Representative who is also approved as a responsible officer under Section 126 of the SFO to supervise one or more regulated activities of the licensed corporation to which he/she is accredited
"SDD"	simplified customer due diligence

## FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements that are not historical facts, but relate to our intentions, beliefs, expectations or predictions for future event and conditions which may not occur. These forward-looking statements are contained principally in the sections headed "Summary", "Risk factors", "Industry overview", "Business", and "Financial information", which are, by their nature, subject to risks and uncertainties.

In some cases, you can identify these forward-looking statements by words such as "aim", "anticipate", "believe", "continue", "could", "expect", "intend", "may", "might", "plan", "potential", "predict", "project", "propose", "seek", "should", "will", "would" or similar expressions or their negatives. These forward-looking statements include, without limitation, statements relating to:

- our business objectives, implementation plans and [REDACTED];
- the amount and nature of, potential for, future development of our business;
- our operation and business prospects;
- our dividend policy;
- the regulatory environment of our industry in general;
- the future development and trends in our industry; and
- risks identified under the section headed "Risk factors" in this document.

The Directors confirm that these forward-looking statements are made after due and careful consideration.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance.

Additional factors that could cause actual performance or achievements to differ materially include, without limitation, those discussed under the section headed "Risk factors" in this document.

These forward-looking statements are based on current plans and estimates, and speak only as at the date they are made. We undertake no obligations to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statements.

## FORWARD-LOOKING STATEMENTS

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this document are qualified by reference to these cautionary statements.

## RISK FACTORS

*You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making any investment decision in relation to our Company. Our business, financial condition or results of operations could be materially and adversely affected by any of the risks and uncertainties described below. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that our Company deems immaterial, could also harm our business, financial conditions and results of operations. 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.*

### RISKS RELATING TO THE BUSINESS AND OPERATIONS OF OUR GROUP

**Our revenue was completely dependent on our commission for our derivatives brokerage services, of which a large proportion was generated from a limited number of customers. Any significant decrease in the number of contracts or notional value traded by our major customers will materially and adversely affect our financial condition and results of operations**

During the Track Record Period, our Group derived all revenue from commission income. For the three years ended 31 March 2016, 2017 and 2018, our Group's commission income was approximately HK\$60.2 million, HK\$59.8 million, and HK\$76.8 million respectively. Our Directors expect that the commission income will continue to be our Group's main source of revenue in the future.

In addition, a large proportion of our revenue was derived from a limited number of customers during the Track Record Period. Revenue attributable to our top 10 customers accounted for 64.4%, 65.6%, and 72.3% of our total revenue for the three years ended 31 March 2016, 2017, and 2018 respectively. As these customers do not have any binding long-term commitments with our Group, there is no assurance that our major customers will continue to use our brokerage services at the same level of trading volume in the future. If there is a significant decrease in the number of contracts or the notional value traded by our major customers, and our Group is unable to secure suitable customers of a comparable order size, our financial condition and results of operations would be materially and adversely affected.

In addition, in the event that our major customers experience any liquidity problem, this may result in delay or default of payments to us, in which case the business, financial positions and prospects of our Group could be materially and adversely affected.

## RISK FACTORS

**Our Group may not be able to maintain our brokerage commission rate charged to our customers and the result of which may adversely affect our financial performance and results of operations**

During the Track Record Period, our Group did not offer monthly-fixed-charge plans or commission ceiling plans to our customers. Our commissions charges were market rates arrived at after arm's length negotiations among our Group and our customers on normal commercial terms, and taken into account of the complexity of the trade combinations we could source and execute or match for our customers.

Our customers may occasionally request us to provide a better offer such as a lower brokerage commission rate. In consideration of whether to provide a better offer to our customers, our Group would in general take into account of (i) whether such customers will increase their orders to compensate the reduction of brokerage commission rate; (ii) the past level of business with such customers; and (iii) the prevailing market conditions and the competition environment. In the event that we lower our brokerage commission rate to our customers and the trading volume from such customers remains unchanged or decreases after such adjustment, our financial performance and results of operations will be materially and adversely affected.

**Unfavourable investor sentiment in the derivatives market could materially and adversely undermine our customers' performances and subsequently affect our financial performance, results of operations and prospects**

Our customers are mainly investment banks, market makers and funds. Their sentiment in the derivatives market is highly dependent on global and local market conditions. Low turnover or low volatility in the market may materially and adversely influence investor sentiment and subsequently affect our financial performance, results of operations and prospects.

**If our Group is unable to compete effectively against our competitors, our financial performance and results of operations may be materially and adversely affected**

The industry of interdealer brokerage of derivatives in Hong Kong is highly concentrated with intense competition. Our Group has to compete against our competitors who have greater brand recognition in the market, stronger human and financial resources, a wider range of services and longer operating histories than our Group. There is no assurance that our Group will be able to maintain our competitive strengths by responding to the rapidly changing business environment or to capture new market opportunities. Any intensified competition may result in further downward pressure on brokerage commission rate and fees charged for the services provided by us, which in turn may erode our market share and have material and adverse impact on our profitability and results of operations.

## RISK FACTORS

### **Our business operations are dependent on the services provided by our clearing brokers and execution brokers and any interruption may have material adverse impact on our operations**

Our business operations are heavily dependent on our service providers, including but not limited to our clearing brokers and our execution brokers. Our Group generally relies on our clearing brokers to clear and settle all trade orders executed by us directly under our own trading rights as a HKFE Exchange Participant. Our Group also relies on our execution brokers to execute trade orders of derivatives for which our Group does not possess the relevant trading rights. Our Group cannot assure that our clearing brokers and execution brokers would not default on their obligations to us as a result of human errors or any other reasons. If our clearing brokers or execution brokers fail to take our instructions and allocate the trading positions to our customers in a timely manner, our customers may refuse to acknowledge the trade and refuse to settle the payment for the trade order, in such event our Group may have to bear all risks and costs with respect to that trade order executed by us.

In addition, De Riva faces the risks of any operational failure or termination of cooperation by any of the exchanges, banks, or other institutions our Group engaged to facilitate our transactions, which would materially and adversely affect our ability to execute trade orders on behalf of our clients as our Group may not be able to find a replacement in a timely manner. Any disputes or difficulties in cooperating with these institutions could materially and adversely affect our business operations.

During the Track Record Period, the right of De Riva to access the HKATS had been suspended and therefore De Riva was not allowed to trade on the Futures Exchange in the afternoon session of 23 December 2015 as a result of not having a valid General Clearing Participant to clear the trade orders for us. Such suspension was due to an error of one of our service providers and had been lifted on 24 December 2015. For details, please refer to the section headed "Business — Our business strategies — To apply for becoming a Clearing Participant" in this document.

In addition, during the Track Record Period, there was a material error trade that resulted in an aggregate loss of approximately HK\$1.8 million. As confirmed by our Directors, the error trade incident was partly attributable to the misunderstanding between our Group and our execution broker. For details of the error trade incident, please refer to the section headed "Business — Internal control — Error trade" in this document.

## RISK FACTORS

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

Our business depends on the continued services of our executive Directors, key senior management and employees. Our executive Directors, together with the support of our senior management team, are principally responsible for managing our daily operations. In particular, the experience and customer networks contributed by our key executives have played a crucial role in building our success and reputation to date. Therefore, our success is, to a significant extent, attributable to our executive Directors and senior management team. For details, please refer to the section headed "Business — Our competitive strengths — Experienced and competent senior management with strong customer base" in this document.

Our ability to compete in the existing market and expand into new market or develop new business line also depends on our ability to retain competent personnel, especially the Licensed Representatives whose established customer network and rich industry know-how have allowed us to effectively expand our customer base to date. Given that the competition for competent personnel in the industry is intense, our Group may not be able to attract or retain the services of key personnel for our business in the future. If our Group loses any key senior management or key personnel, there is no assurance that our Group will be able to find suitable replacements in a timely manner, or at all. These personnel may join our competitors which may further intensify market competition. As a result, our operations, prospects and profitability could be materially and adversely affected. Our inability to recruit or retain competent personnels would limit the capacity of our trading team, affect the commercial soundness of our decisions and reduce the effectiveness of our risk identification and control, thereby adversely affecting the performances of business operations.

### **Our operations may be disrupted if our Group fails to maintain sufficient number of Responsible Officers as required by the SFC**

As at the Latest Practicable Date, De Riva had three Responsible Officers. Under the licensing requirements of the SFO, De Riva must at all times maintain at least two Responsible Officers for each of the regulated activities. De Riva may be exposed to operational disruptions should two or more of our Responsible Officers resign or cannot carry out their duties for a prolonged period due to any reasons and that De Riva fails to find suitable replacement in a timely manner. This may result in temporary suspension of the licence or imposition of additional licensing conditions and eventually cessation of our business operations. The occurrence of such event will materially and adversely affect our business and results of operations.



## RISK FACTORS

### **Our operations will be materially and adversely affected if our Group fails to obtain or maintain or renew licences and permits necessary for our business operations**

Our business and continuing operations depend upon obtaining and maintaining the necessary approvals, licences and permits granted by regulatory authorities. Please refer to the section headed "Regulatory overview — A. Rules and regulations with regards to Hong Kong" in this document for further details. Our Group is required to comply with the relevant regulatory requirements and licensing conditions prescribed by regulatory authorities, such as the "fit and proper" requirements with respect to our Responsible Officers and Licensed Representatives, financial resources requirements, risk management, corporate governance, professional staff, corporate structure and compliance operations. Our compliance obligations will be subject to scrutiny in particular when our Group applies for approvals, licences or permits for conducting new business lines or offering new products. If our Group fails to continuously comply with such requirements, our Group may encounter the risks of being sanctioned by the regulatory authority, imposed of additional licensing conditions, or in the extreme case, disqualified for our existing business or rejected for renewal of our qualifications upon expiry by the regulatory authorities.

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

### **Our Group's liquidity and financial position may be adversely affected if our customers default in, or delay, their payment obligations**

Our customers are all Professional Investors as defined under the SFO, including funds, investment banks and market makers. Our Group generally allows a credit period of 30 days to our trade receivables. Before accepting any new customer, our Group will assess the potential customer's credit quality and determines its credit limits. Credit limits are made to customers with a satisfactory trustworthy credit history. Our trade receivables turnover days were approximately 78.5 days, 94.7 days, and 87.2 days as at 31 March 2016, 31 March 2017, and 31 March 2018 respectively, which are longer than the credit period of 30 days our Group granted to our customers, mainly due to the long internal procedure for the settlement of the commission payment of our customers. Our Group's collection process is often time-consuming and administratively cumbersome. Our Group cannot assure that our customers in the future will not subsequently default in, or delay, their payment obligations. In the event that our Group's customers default in all or a substantial portion of their payment obligations to our Group, our Group's financial condition will be materially and adversely affected.

## RISK FACTORS

### **Our Group is subject to extensive regulatory requirement, non-compliance with which, or changes in these regulatory requirements, may affect our business operations and financial results**

The industry in which De Riva is operating is highly regulated. Our business and operations are subject to a number of laws and regulations relating to the securities and financial services industry, including the SFO, the subsidiary legislations of the SFO, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Takeovers Code, the GEM Listing Rules, the Stock Exchange Trading Rules, the AMLO, and other codes and guidelines published by the regulators from time to time. These laws and regulations set out the licensing requirements, regulate our operational activities and standards, and impose the ongoing requirements to maintain minimum liquid capital requirement and other filing and reporting obligations relevant to our business operations. Please refer to the section headed "Regulatory overview — A. Rules and regulations with regards to Hong Kong" in this document for details. Our compliance obligation may be subject to scrutiny when our Group applies for approvals, licences, or permits for conducting new business and/or offering new services. In case our Group fails to comply with the applicable rules and regulations, it might result in fines, or even suspension or revocation of some or all of our licences for carrying on our business activities. There might be changes in rules and regulations and regulatory initiatives from time to time in response to the changing regulatory and market environments. Any such changes or initiatives might result in an increase in our cost of compliance and our liquid capital requirements. It might also restrict our business activities or future expansion. Accordingly, our cost of operations might be materially and adversely affected by any change in regulatory environment.

### **We may be unable to maintain our current level of growth and implement our future plans**

Our revenue for the year ended 31 March 2018 was approximately HK\$76.8 million, representing an increase of approximately 27.5% compared with that of approximately HK\$60.2 million for the year ended 31 March 2016. Our future business growth beyond our current level of growth primarily depends on the successful implementation of our business objectives, business strategies and future plans (for further details, please refer to the sections headed "Future plans and [REDACTED]" and "Business — Our business strategies" of this document). Our business strategies and future plans are based on current assumptions and intentions of our Directors and are subject to uncertainties and risks. We may be unable to achieve the anticipated growth and expansion of our business due to factors beyond our control. As such, there is no assurance that we will successfully implement our strategies or that our strategies, even if implemented, will result in expected achievement of our objectives. Our business, operating results and financial position may be materially and adversely affected if our business objectives are not achieved.

## RISK FACTORS

**Our Group is subject to regulatory inspections from time to time. Any sanctions, disciplinary actions taken against or penalties imposed on De Riva or the relevant Director or staff personnel will negatively affect our reputation and may materially and adversely impact our business prospects and financial results**

Our Group is also subject to regulatory inspections from time to time.

During the Track Record Period, the SFC conducted a review on the regulated activities of De Riva, following which it made certain observations in respect of internal control-related issues. Please refer to the section headed "Business — Internal control — SFC inspection" in this document for further details. De Riva is required to fully cooperate with and respond to enquiries of the SFC from time to time, which may require the devotion of time and resources and will increase our cost of compliance.

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

**Our business operations may be materially and adversely affected if any of our customers being under the definition of "professional investor" in the SFO are unable to continue fulfilling the requisite requirements of being a professional investor**

De Riva's operating licence requires it to only provide brokerage services to professional investors as defined in the SFO. According to the Code of Conduct, De Riva is exempted from complying with certain requirements set out in the Code of Conduct when providing services to Professional Investors if De Riva has complied with the assessment requirement set out in the Code of Conduct.

If De Riva fails to comply with the assessment requirements in screening our new customers as set out by the Code of Conduct for Professional Investors or if any of our customers fails to continue to fulfil the requisite requirements of being a Professional Investor during the annual confirmation exercise carried out by De Riva, the SFC may require De Riva to cease its services provided to its customers which may materially and adversely affect our Group's financial condition and results of operations. In any event if De Riva fails to comply with the requirement, breaches the Code of Conduct or provides services to non-professional investors, De Riva may be subject to severe consequences and penalties, including cessation of our services, suspension or revocation of our licence. Any changes to the relevant rules and requirements set out in the Code of Conduct in relation to the performing of such compliance duties may also materially affect our operating costs.

## RISK FACTORS

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

While our Group has internal control and compliance procedures in place which are designed to prevent and mitigate the risk of fraud, illegal act or misconduct of our Directors, Licensed Representatives, customers or other third parties, our Directors cannot assure that our Group 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 prices of futures or options products;
- knowingly making recommendations in respect of futures and options products that are not suitable for customers; and
- engaging in fraudulent acts or otherwise not complying with applicable laws or regulations or our internal control procedures.

While there had not been any formal disciplinary action or reprimand against any of our Directors, Responsible Officers and/or Licensed Representatives over the Track Record Period and up to the Latest Practicable Date, there is no assurance that they or any of them will not commit incidents of fraud or other misconduct in the future or that the precautions our Group takes to prevent and detect such fraud or misconduct would be effective.

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

### **Our profitability will be affected by any material market fluctuation during our facilitation process**

During the Track Record Period, when providing our brokerage services, some of the trade orders may have mismatches between the trading parties in terms of price and/or quantity. Our desk managers might approve to facilitate the trade order by filling in the mismatch on the condition that the estimated facilitation cost could be acceptable by our Group and generally profit could be secured by the commission generated from the trade order. However, our Group cannot guarantee that every facilitation conducted by our Group is profitable as our facilitation requires our Group to acquire trading positions directly from the market, which is subject to market risk. In the event that our estimated

## RISK FACTORS

facilitation costs differ substantially from the actual facilitation costs due to changes in market conditions, our Group might not be able to recover any profits from the commission generated from the trade order. We also cannot guarantee that our Group could immediately close out all trading positions we acquire for the purpose of facilitation as the closing out of our trading positions may also be subject to market conditions. Further details in relation to facilitation are set out in the section headed "Business — Operating procedures — Facilitation" in this document.

For each of the three years ended 31 March 2016, 31 March 2017, and 31 March 2018, the error and facilitation expenses accounted for HK\$2.8 million, HK\$3.4 million and HK\$2.1 million respectively. In the event that our Group fails to close the trading positions on time or at a reasonable price, our profitability may be materially and adversely affected.

**Our brokerage services involve active interactions between our staff and our customers and therefore it is subject to human errors, which our Group may have to bear the losses resulting therefrom**

Our derivatives brokerage services are dependent on our ability to accurately execute and monitor a larger number of transactions, which involves complicated operational procedures and requires stable performance of our trading system. There is no assurance that our Group will not experience any human errors in processing our customers' instructions, for instance, input of incorrect derivatives name, quantity of the transaction or incorrect buy/sell order, or incorrect input of customers' account number. During the Track Record Period, there was an error trade that resulted in an aggregate loss of approximately HK\$1.8 million, of which approximately HK\$0.7 million loss was recognised for the year ended 31 March 2016 and HK\$1.1 million loss was recognised for the year ended 31 March 2017. For details of our error trade incidents, please refer to the section headed "Business — Internal control — Error trade" in this document.

Any loss suffered by our Group resulting from error trades would be borne by our Group. In the event that the error trades are not effectively prevented or controlled, or rectification measures could not cover the loss incurred, our Group may be subject to material loss and the financial conditions and results of operation of our Group could be adversely affected.

**Our brokerage services are dependent on our trading infrastructure, any system failure or cyber-attacks may adversely affect our operations and may lead to our Group losing customers**

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

## RISK FACTORS

information processed, stored in and transmitted through our computer systems and networks or otherwise disrupt our operations, which could result in reputational damage, litigation and financial loss.

Our trading, financial, accounting, data processing or other operating systems and facilities may also fail to operate properly or become disabled as a result of events which are wholly or partially beyond our control, such as human error, natural disasters, power failures, computer viruses, cyber-attacks, spam attacks, unauthorised access and data loss or leakage. Our Group also faces the risk of operational failure or termination of any of the clearing agents, exchanges, clearing brokers or other financial intermediaries that our Group uses to facilitate securities transactions. Any operational failure or termination of the financial intermediaries that our Group uses could adversely affect our ability to execute transactions, service our customers and manage our exposure to risk.

In addition, the derivatives brokerage industry is characterised by rapidly changing technology and competition in terms of speed and efficiency in trade execution. If our Group is unable to maintain the competitiveness of our information technology system, in particular in devoting adequate resources in maintaining sufficient bandwidth capacity in our network connections to meet the trading demands of our customers, our Group may lose customers as a result of prolonged or delayed trade execution.

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

Our Group is required to comply with applicable anti-money laundering and counter-terrorist financing laws regulations and guidelines in Hong Kong. These laws and regulations require licensed corporations to establish sound internal control policies and procedures to monitor, report and curtail money laundering and terrorist financing activities. Such policies and procedures require our Group to, among other things, establish a customer identification system in accordance with relevant rules, keep customers' information, record details of customer activities and report suspicious transactions to relevant authorities.

While these policies have been adopted and procedures aiming at detecting and preventing our Group from facilitating money laundering activities and terrorist acts are in place, in light of the complexity of money-laundering activities and other illegal or improper activities, such policies and procedures may not completely eliminate the possibility of our Group being utilised by other parties to engage in money laundering and other illegal or improper activities.

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



## RISK FACTORS

### **Our expansion plans may not materialise in accordance with the timetable or at all and the cost saved by becoming a Clearing Participant may not materialise**

As set out in the section headed "Business — Our business strategies" in this document, our Group intends to (i) apply for becoming a Clearing Participant; (ii) expand our OTC product coverage; and (iii) expand our office premises to accommodate the expansion of our business operations; and (iv) reinforce our human resources management to effectively attract, incentivise and retain talented professionals.

The above expansion plans and the estimation on cost saving by becoming a Clearing Participant are based on our current intentions and assumptions. The future execution may be subject to capital investment and human resources constraints. Furthermore, our expansion plans and the estimation on cost saving by becoming a Clearing Participant may also be hindered by other factors beyond our control, such as the general market conditions, the performance of the financial service industry, and the economic and political environment of Hong Kong, PRC and the world. Therefore, our expansion plans may not materialise in accordance with the timetable or at all and the cost saved by becoming Clearing Participant may not materialise.

### **There is no guarantee that our Group will declare dividends in the future and past dividends should not be used as a reference for our future dividend policy**

A dividend of approximately HK\$0.9 million for the year ended 31 March 2015 and HK\$4.0 million for the year ended 31 March 2016 was declared on 17 June 2015 and 29 March 2017 respectively to the then shareholders of De Riva, which was fully settled in cash by internal resources in June 2015 and April 2017 respectively. Other than the above, no dividend has been paid or declared by other companies comprising our Group during the Track Record Period and up to the Latest Practicable Date.

Our Group's future ability to pay dividends will depend on whether our Group is able to generate sufficient earnings. Dividend is proposed by our Board at its discretion and is subject to our Shareholders' approval. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including, without limitation, our results of operations, financial condition, future prospects and other factors which our Board may determine as important. Please refer to the section headed "Financial information — Dividends" in this document for more information. As a result, there can be no assurance on whether, when and in what form our Group will pay dividends in the future.

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

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

## RISK FACTORS

### RISKS RELATING TO THE [REDACTED]

**There has been no prior public market for the Shares, and their liquidity and market price following the [REDACTED] may be highly volatile**

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

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

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

Our Group will comply with Rule 17.29 of the GEM Listing Rules, which specifies that no further Shares or securities convertible into equity securities of our Group (subject to certain exceptions) may be issued or form the subject of any agreement to be issued within six months from the [REDACTED]. Our Group may raise additional funds to finance the future expansion of our existing operations or future acquisitions by way of issuance of new equity or equity-linked securities of our Group other than on a pro-rata basis to existing Shareholders after six months from the [REDACTED], in which case the percentage shareholding of the then Shareholders may be diluted or reduced or such new securities may confer rights and privileges that have priority over those conferred by the issued Shares.

### **Future sales or perceived sales or conversion of substantial amounts of our securities in the public market could have a material and adverse effect on the prevailing market price of our Shares**

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



## RISK FACTORS

**Some facts, forecasts and statistics contained in this document with respect to Hong Kong and overseas and their economies and securities markets are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date**

Facts, statistical and forecast information relating to the capital market of Hong Kong and overseas contained in this document have been compiled from various publicly available official governmental sources and the market research report prepared by International Monetary Fund. While our Group has taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Sole Sponsor, the [REDACTED], the [REDACTED], the [REDACTED] or any of our or their respective affiliates or advisers or any other parties involved in the [REDACTED], and, therefore, our Group cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside Hong Kong. Such facts, forecasts and statistics include the facts, forecasts and statistics used in "Summary", "Risk factors", "Industry overview" and "Business". Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and investors should not place undue reliance on them. Furthermore, our Group cannot assure that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, investors should consider carefully how much weight or importance should be attached to or placed on such facts, forecasts or statistics.

**Our Shareholders may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions against us or our management and the laws of the Cayman Islands relating to the protection of the interests of minority shareholders are different from those in Hong Kong**

Our Company is incorporated under the laws of the Cayman Islands. During the Track Record Period, our businesses, assets and operations were carried out through our operating subsidiary, De Riva, located in Hong Kong. Since our Company is incorporated under the laws of the Cayman Islands, our corporate affairs are governed by the laws of the Cayman Islands, it may not be possible for our Shareholders to bring an action against our Company or against our Directors or officers based on Hong Kong laws in the event that our Shareholders believe that their rights as a shareholder have been infringed. Our corporate affairs are governed by our Memorandum of Association and Articles of Association and by the Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in Hong Kong. This may mean that the remedies available to our Group's minority shareholders may be different from those they would have under Hong Kong laws or the laws of other jurisdictions. A summary of Cayman Islands law is set out in Appendix III to this document.

## RISK FACTORS

**Our Group strongly caution investors not to place any reliance on any information contained in any press or media reports regarding us and the [REDACTED]**

Our Group has not authorised the disclosure of any information in the press or media and our Group wishes to emphasise to prospective investors that our Group does not accept any responsibility for the accuracy of any news published by the press or the media. Our Group makes no representation as to appropriateness, accuracy, completeness or reliability of any information contained in any press articles or other media about our business or financial projections, share valuation or other information. Accordingly, in all cases, prospective investors should give consideration as to how much weight or importance they should attach to, or place on, such press articles or other media coverage.

**Our future results could differ materially from those expressed or implied by the forward-looking statements**

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

### **RISK RELATING TO MACROECONOMIC AND POLITICAL CONDITIONS**

**General macroeconomic conditions, particularly in Hong Kong, may materially and adversely affect our Group's business, prospects, results of operations and financial condition**

Our Group's business and operations are currently based in Hong Kong and the businesses of the majority of its clients are directly affected by the overall performance of the global economy. As an open economy, Hong Kong's domestic economy is influenced by the global economy and the PRC economy is also becoming more open. The global, PRC and Hong Kong economies are affected by, among other things, legal and regulatory changes, political conditions in global markets, global levels of liquidity and risk aversion, currency and interest rate fluctuations, concerns about natural disasters,

## RISK FACTORS

terrorism and war, the level and volatility of interest rates and foreign currency exchange rates, concerns over inflation, and changes in investor confidence levels and risk appetities. All of these factors are beyond the control of our Group. If any of the above factors changes unfavorably, our Group's business, prospects, results of operations and financial condition may be materially and adversely affected.

### RISK ASSOCIATED WITH THIS DOCUMENT

#### **Certain statistics and data extracted or derived from various governmental or third-party sources should not be unduly relied upon**

Certain statistics and industry data included in this document have been extracted or derived from various governmental sources, the websites of the SFC, the Stock Exchange and other third-party sources. Our Directors believe that the sources are appropriate for such statistics and data and have taken reasonable care in the extraction, compilation and reproduction of such statistics and data. Our Directors have no reason to believe that such statistics and data are false or misleading, or that any fact has been omitted that would render such statistics and data false or misleading. However, neither our Group, the Sole Sponsor, the [REDACTED], nor any party involved in the [REDACTED] has independently verified such statistics and data, and such party or parties do not make any representation as to the accuracy or completeness of such statistics and data, which may be inconsistent with statistics and data derived from other sources. As such, these statistics and data should not be unduly relied upon by investors. As a result of different market practices, differences between published information, possible flawed collection methods or other problems, the statistics and data shown in this document might not be accurate or complete or might not be comparable to statistics and data produced from other sources. Accordingly, prospective investors should give careful consideration as to how much weight or importance they should attach to or place on such statistics and data.

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

[REDACTED]

INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]

[REDACTED]

**INFORMATION ABOUT THIS DOCUMENT AND THE [REDACTED]**

[REDACTED]

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

**DIRECTORS**

**Executive Directors**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
Mr. Lau Ming Yeung, Lambert (劉名揚) (Chairman)	Flat B, 17/F, Tower 2, Tregunter, 14 Tregunter Path, Hong Kong	Chinese
Mr. Choi Man Ho (蔡文豪) (Chief Executive Officer)	Flat G, 26/F, Bohemian House, 321 Des Voeux Road West, Sai Ying Pun, Hong Kong	Chinese
Mr. Lee Tik Man, Dick (李迪文)	Flat H, 11/F, Mandarin Villa, No. 10 Shiu Fai Terrace, Hong Kong	Chinese
Mr. Fung Wai Yip, Patrick (馮偉業)	Flat 1, 5/F, Block B, Winfield Building, 1 Ventris Road, Happy Valley, Hong Kong	Chinese
Mr. Ng Yu Fai (吳宇輝)	Flat K, 23/F, Tower 2, The Avenue, Phase 2, 200 Queen's Road East, Hong Kong	British National (Overseas)

**Non-executive Director**

Mr. Yu Kwok Tung (余國棟)	Flat C, 6/F, Tower 1, Caldecott Hill, 2 Caldecott Road, Hong Kong	Chinese
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**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

<b>Name</b>	<b>Address</b>	<b>Nationality</b>
<b>Independent non-executive Directors</b>		
Mr. Voon David Hian-fook (溫賢福)	House 3, Abergeldie, 52 Plantation Road, Hong Kong	Chinese
Mr. Or Kevin (柯衍峰)	Flat A, 26/F, Tower 8, The Wings, No. 9 Tong Yin Street, Tseung Kwan O, Hong Kong	Australian
Mr. Wu Ping Lam Michael David (吳秉霖)	Flat 01, 10/F, Block A, Villa Lotto, 18 Broadwood Road, Happy Valley, Hong Kong	Chinese

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

**PARTIES INVOLVED IN THE [REDACTED]**

**Sole Sponsor**

**Red Sun Capital Limited**

*A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO*  
Room 3303, 33rd Floor, West Tower,  
Shun Tak Centre,  
168-200 Connaught Road Central,  
Hong Kong

[REDACTED] and  
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Legal advisers to our Group**

*As to Hong Kong law*

**Michael Li & Co.**

19/F, Prosperity Tower,  
No. 39 Queen's Road Central,  
Central, Hong Kong

*As to Cayman Islands Law*

**Conyers Dill & Pearman,**

Cricket Square, Hutchins Drive,  
PO Box 2681,  
Grand Cayman, KY1-1111,  
Cayman Islands

**DIRECTORS AND PARTIES INVOLVED IN THE [REDACTED]**

**Legal advisers to  
the Sole Sponsor and  
the [REDACTED]** [REDACTED]

**Reporting accountants** **SHINEWING (HK) CPA Limited**  
*Certified Public Accountants*  
43/F, Lee Garden One,  
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Causeway Bay,  
Hong Kong

**Industry Consultant** **China Insights Consultancy Limited**  
Room 1603B, Shanghai International Group Building  
511 Weihai Road, Jing'an District, Shanghai,  
People's Republic of China

[REDACTED]

## CORPORATE INFORMATION

<b>Registered office</b>	Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands
<b>Head office and principal place of business in Hong Kong</b>	Units 2601–3 Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong
<b>Compliance adviser</b>	<b>Red Sun Capital Limited</b> <i>A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO</i> Room 3303, 33rd Floor, West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong
<b>Company secretary</b>	Ms. Yui Ka Lee (芮嘉莉), <i>HKICPA</i> Room 2101, Wang Yip House, Wang Tau Hom Estate, Kowloon, Hong Kong
<b>Authorised representatives (for the purpose of the GEM Listing Rules)</b>	Mr. Lau Ming Yeung Lambert (劉名揚) Flat B, 17/F, Tower 2, Tregunter, 14 Tregunter Path, Hong Kong  Mr. Choi Man Ho (蔡文豪) Flat G, 26/F, Bohemian House, 321 Des Voeux Road West, Sai Ying Pun, Hong Kong
<b>Compliance officer</b>	Mr. Choi Man Ho (蔡文豪)
<b>Audit committee</b>	Mr. Or Kevin (柯衍峰) ( <i>Chairman</i> )  Mr. Voon David Hian-fook (溫賢福)  Mr. Wu Ping Lam Michael David (吳秉霖)
<b>Remuneration committee</b>	Mr. Voon David Hian-fook (溫賢福) ( <i>Chairman</i> )  Mr. Wu Ping Lam Michael David (吳秉霖)  Mr. Lau Ming Yeung, Lambert (劉名揚)

**CORPORATE INFORMATION**

**Nomination committee** Mr. Wu Ping Lam Michael David (吳秉霖) (*Chairman*)

Mr. Voon David Hian-fook (溫賢福)

Mr. Lau Ming Yeung, Lambert (劉名揚)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**Principal Bank**

The Hongkong and Shanghai Banking Corporation  
Limited  
1 Queen's Road Central, Hong Kong

**Company's website**

[www.derivaasia.com](http://www.derivaasia.com)  
(*Contents contained in this website do not form part  
of this document*)

## INDUSTRY OVERVIEW

*Unless otherwise indicated, the information presented in this section is derived from the Industry Report, which was commissioned by us and is prepared primarily as a market research tool intended to reflect estimates of market conditions based on publicly available resources and trade union surveys. References to the writer of the Industry Report should not be considered as its opinion as to the value of any security or the advisability of investing in our Group. Our Directors believe that the sources of information and statistics are appropriate sources for such information and statistics. Our Directors have no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading in any material respect. The information set out in this section has not been independently verified by our Group, our Controlling Shareholders, the Sole Sponsor, the [REDACTED], the [REDACTED], or the [REDACTED] involved in the [REDACTED] or their respective directors, officers, employees, advisers and agents, and no representation is given as to its accuracy and completeness. Accordingly, such information should not be unduly relied upon.*

### SOURCE OF INFORMATION

Our Group has commissioned CIC, an independent industry consultant, to conduct an analysis of, and to report on the derivatives brokerage market in Hong Kong from 2012. The report our Group commissioned, or the CIC Report, has been prepared by CIC independent of our influence. Our Group paid CIC a fee of HK\$560,000 for the preparation of the report, which our Group considers in line with market rates.

CIC's independent research was undertaken through both primary and secondary research approaches. Primary research involved interviewing industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the SFC, the HKEx, Singapore Exchange, Hong Kong Census and Statistics Department, etc.

The market projections were obtained from historical data analysis as well as underlying market drivers. In preparing the CIC Report, CIC has adopted the following key assumptions: (i) Hong Kong and Singapore's economy development are likely to maintain a steady growth trend throughout the next decade; (ii) relevant key industry drivers are likely to continue driving growth in the Hong Kong and Singapore derivatives markets during the forecast period, including volatility of the global market and underlying assets of derivatives products, limitations and turbulences in the capital market of the mainland China, development in Hong Kong's fund industry, improvement in market efficiency, etc.; and, (iii) there is no extreme force majeure or set of industry regulations in which the market may be affected either dramatically or fundamentally.

Except as otherwise noted, all the data and forecast in this section are derived from the CIC Report. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the CIC Report, which may qualify, contradict or have an impact on the information as disclosed in this section.

### HONG KONG DERIVATIVES MARKET OVERVIEW

#### Exchange traded derivatives market in Hong Kong

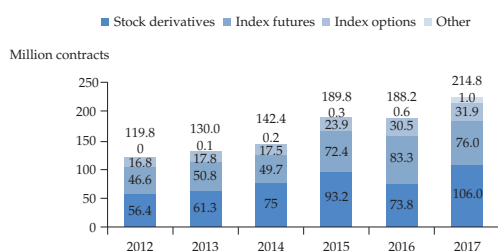
Hong Kong has become one of the most active derivatives markets in Asia. The derivative contracts traded in Hong Kong include equity futures and options, interest rate futures, fixed income futures, and commodity futures depending on the underlying assets. Equity derivatives comprise the majority of the derivatives market in terms of trading volume in Hong Kong.

## INDUSTRY OVERVIEW

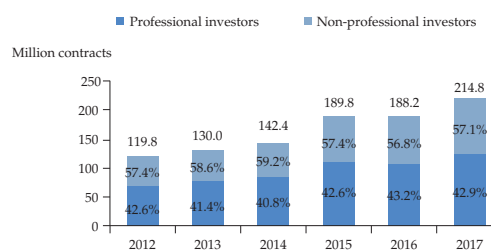
The total volume of exchange traded derivatives increased from 119.8 million contracts to 214.8 million contracts at a CAGR of 12.4% from 2012 to 2017. Since the inauguration of the Shanghai-Hong Kong Stock Connect, it has become more convenient for investors from mainland China to invest in equity markets in Hong Kong. A big spike in Asian financial markets in 2015 drove up the trading volume of the Hong Kong derivatives market. Derivatives products became popular in bull markets for the purposes of leveraging, hedging or arbitrage.

According to the SFO, investors can be categorised into professional investors (PIs) and non-professional investors (Non-PIs) based on their portfolio size, total assets, audited financial statement, etc. Professional investors take the majority of the trading volume of exchange traded derivative contracts. In 2017, it is estimated that about 57% of those derivatives contracts were traded by PIs.

**Trading volume of exchange traded derivative contracts, by product type, Hong Kong, 2012-2017**



**Composition of investors of exchange traded derivative contracts, by investor type, Hong Kong, 2012-2017**

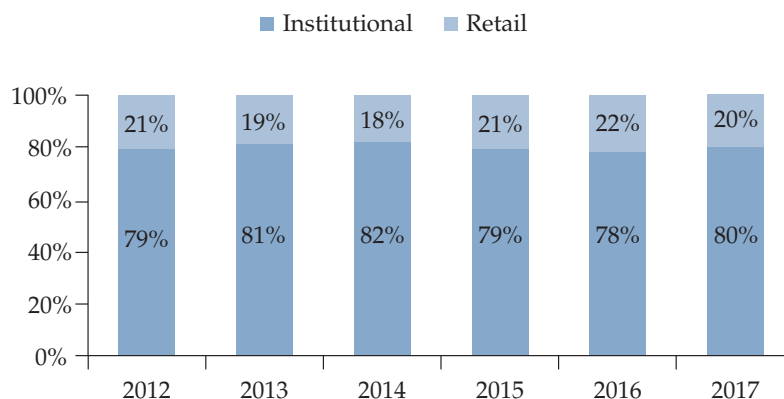


*Note:* Other underlying assets include currencies, commodities, interest rate, and fixed income.

*Source:* HKEx, CIC

Institutional investors dominate exchange traded derivatives in terms of trading volume by contributing nearly 80% towards the total traded contracts. Meanwhile, Exchange Participants' (EP) principal trading (comprising trading as market makers and EP proprietary trading) dominated the turnover in exchange traded derivatives market, accounting for around 50% of total contracts. Due to a strong sensitivity to market changes and lower trading costs, the share of institutional investor traded contracts will sustain at a high level in the future.

**Composition of investors of exchange traded derivative contracts, by investor type, Hong Kong, 2012-2017**



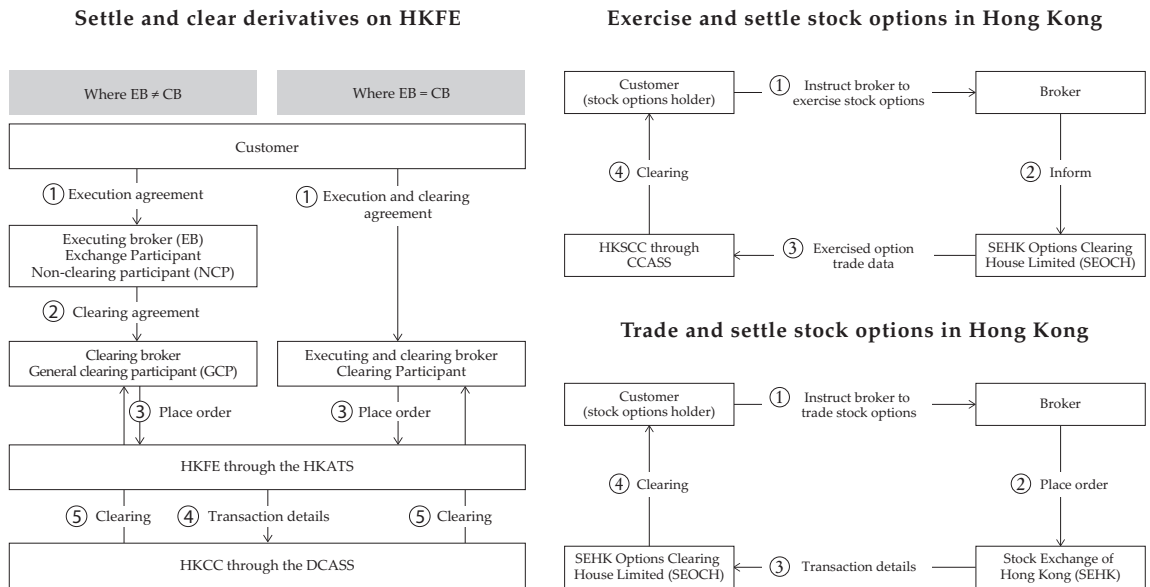
*Source:* HKEx, CIC

## INDUSTRY OVERVIEW

Most of the Hong Kong listed derivative contracts are executed and cleared on the HKFE (except single stock options) and the process can be broken down into the following five steps: (1) a customer signs an agreement with a broker on the terms regarding the execution of the trade; (2) if an executing broker (EB) is not a clearing participant, it will sign a separate clearing agreement with a clearing broker (CB); (3) a broker places the derivatives trade order through the HKATS and orders are matched based on price and time; (4) the executed order is transmitted to the HKCC for registration and clearing; (5) the HKCC clears the trade with brokers through the DCASS.

Stock options in Hong Kong are of American style, and they can be exercised at any time on or before expiry but only through physical settlement instead of cash settlement. Exercising and settling stock options can be broken down into the following four steps: (1) a customer needs to instruct a broker to exercise his/her stock options; (2) the broker informs SEOCH of the exercise decision, and SEOCH randomly assigns a short open position against the exercised option; (3) SEOCH sends the exercised option trade data to HKSCC for the settlement of underlying securities; and (4) the CCASS is used for clearing the stock transactions resulting from the exercise of stock options.

Stock option trading and settlement in Hong Kong can be broken down into the following four steps: (1) a customer needs to instruct a broker to trade stock options he/she holds; (2) the broker places orders on the SEHK and it will act to match orders; (3) the matched transaction details will be transmitted to SEOCH, which in essence assumes the role of a central counterparty to both sides of the trade; and (4) SEOCH acts to clear the trade of stock options.



Source: CIC

### OTC derivatives market in Hong Kong

OTC derivative contracts traditionally refer to those bilateral derivative contracts traded directly between two parties, without the supervision of an exchange. However, driven by the supervision from regional financial regulators, it has become a trend for OTC derivatives to be centrally cleared instead of bilaterally cleared, and get supervised by local financial market regulators. The Legislative Council enacted the Securities and Futures (Amendment) Ordinance 2014 (Amendment Ordinance) on 26 March 2014

## INDUSTRY OVERVIEW

providing a regulatory framework for the OTC derivatives market in Hong Kong. The Amendment Ordinance is being implemented in stages involving mandatory reporting and clearing of OTC transactions in certain derivative products. Therefore, OTC derivatives market in Hong Kong will be more standardized in the future.

### SINGAPORE EXCHANGE TRADED DERIVATIVES MARKET OVERVIEW

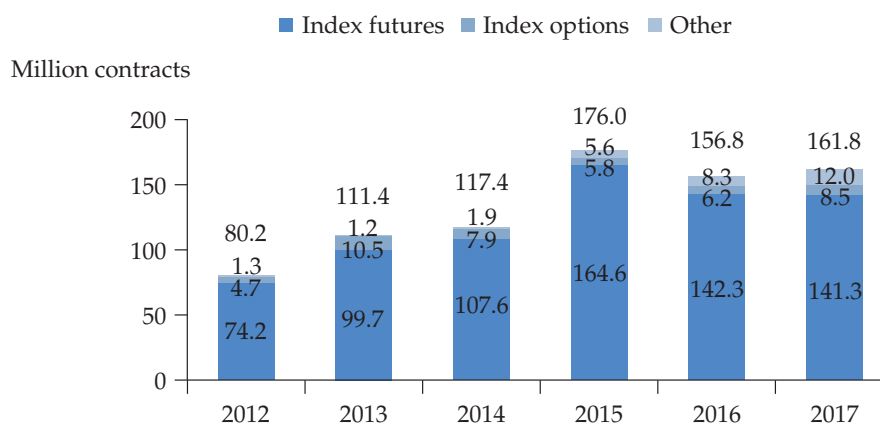
#### Exchange traded derivatives markets in Singapore

As a main channel connecting Asia financial markets with international financial markets, Singapore Exchange (SGX) is the world’s largest offshore Asia equity futures market, providing its customers with opportunities to get exposure to the equities in China, India and Japan. The SGX provides full chain services including trading, settlement, and clearing.

Index futures dominated the derivatives market in Singapore, contributing approximately 90% towards the total trading volume. Between 2012 and 2017, the total amount of index futures traded increased from 74.2 million contracts to 141.3 million contracts at a CAGR of 13.7%, while the growth of the trading volume of index options fluctuated significantly, starting from 4.7 million contracts in 2012 and ending with 8.5 million contracts in 2017. Similar to the market performance in Hong Kong, the total trading volume of exchange traded derivatives in Singapore soared from 117.4 million contracts in 2014 to 176.0 million contracts in 2015.

In 2017, index futures were the most actively traded instrument, accounting for 87% of the total trading volume. The trading volume of other instruments, such as interest rate and currency, was low. Of all equity index products, there is only one index derivatives product linked to the local financial market, while the underlying assets of other index derivatives are of foreign equities. In 2016, China A50 index futures were the most traded product, representing 41.7% of the total trading volume, followed by Nikkei 225 index and Nifty 50 index, representing 13.4% and 13.1%, respectively.

**Trading volume of exchange traded derivative contracts, by product type, Singapore, 2012-2017**



*Note:* Other underlying assets include currencies, commodities, and interest rate.

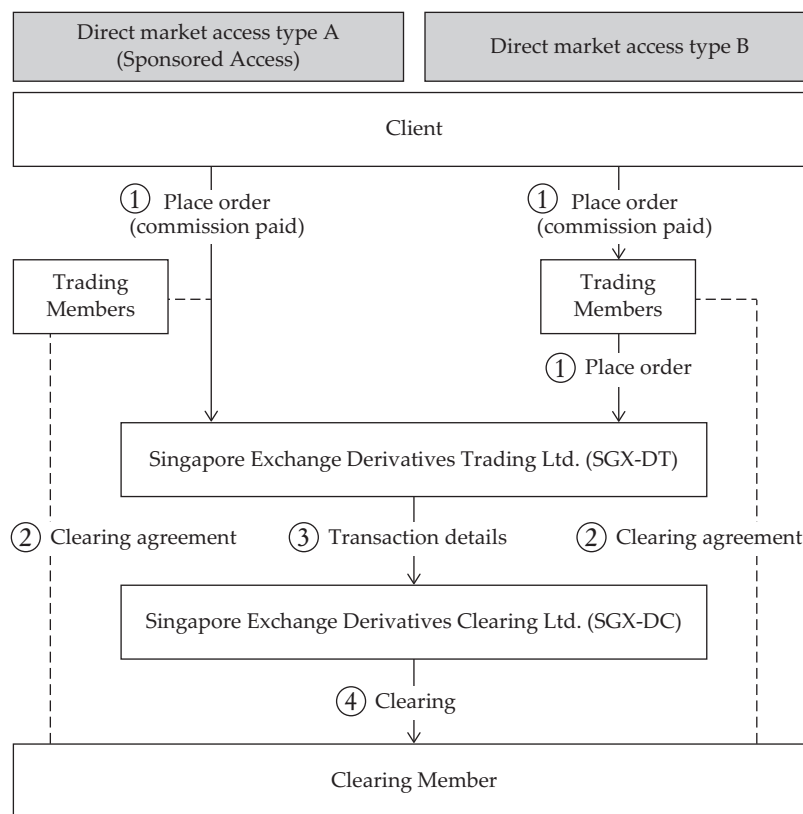
*Source:* SGX



## INDUSTRY OVERVIEW

Derivatives trading and clearing on the Singapore Exchange Derivatives Trading Ltd. (SGX-DT) can be broken down into the following four steps: Firstly, a customer signs an agreement with a broker on the terms regarding the execution of the trade. Trading Members (TMs) can be either General Trading Members or Bank Trading Members. Customers are able to gain access to the SGX-DT through two types of direct market access. Under type A, also called Sponsored Access, a TM permits its customers to use its own member ID to place trade orders with the SGX-DT without the use of the TM's infrastructure. Under type B, customers will submit trade orders electronically to a TM's system, and the TM will place the orders with the SGX-DT for execution. Secondly, the TM signs a clearing agreement with a Clearing Member (CM), who is granted clearing privileges by the Clearing House as contemplated in the Clearing Rules. Thirdly, the SGX-DT forwards transaction details to the Singapore Exchange Derivatives Clearing Ltd. (SGX-DC) for settlements. Fourthly, the SGX-DC clears transactions and sends credit/debit instructions to SGX-DC's settlement banks to instruct them to credit/debit the CM's account for mark-to-market profits/losses and margin calls. CMs are required to report their open positions using Position Change Sheets ("PCS") for each contract to the SGX-DC.

### Settle and clear derivatives on SGX-DT



Source: CIC

### OTC derivatives market in Singapore

Similar to OTC derivatives in Hong Kong, the Monetary Authority of Singapore (MAS) has undertaken a series of approaches to regulate OTC derivatives activities in Singapore, such as mandatory central clearing and reporting OTC derivatives, introducing a new regulatory regime for trade repositories, etc.

## INDUSTRY OVERVIEW

### DERIVATIVES BROKERAGE MARKET OVERVIEW

#### Overview

There are two segments in derivatives brokerage markets, the customer market and the interdealer market. Customers are end-users such as hedge funds, corporations, institutional investors and retail investors. They normally execute contracts through dealers, most of whom are large financial institutions that have capital and resources to arrange complex, large-value trades. Interdealer brokers play a role in facilitating pricing discovery, and trade execution between dealers. Interdealer brokers do not trade for their own accounts or participate in market making activities. Sometimes, customers such as hedge funds would also approach interdealer brokers to trade contracts more efficiently.

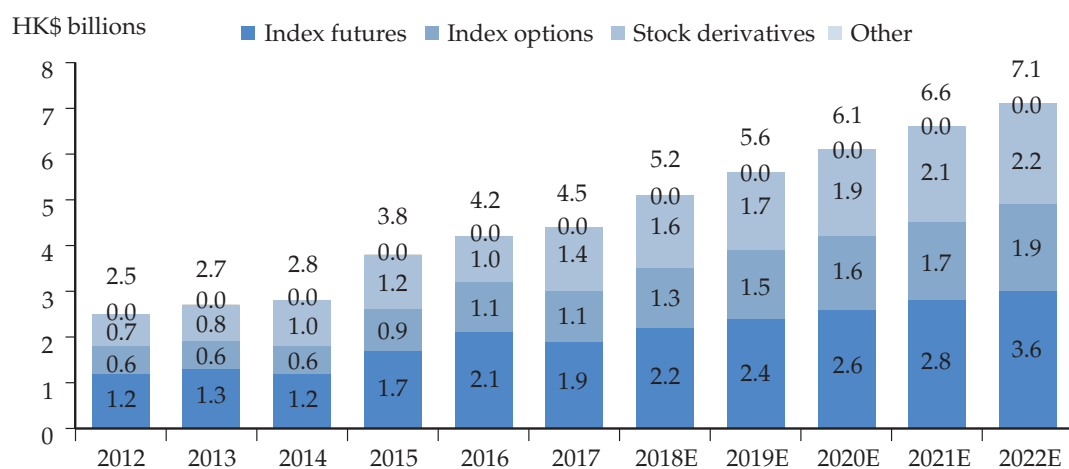
#### Market size of Hong Kong derivatives broking industry

Between 2012 and 2017, the market size of the derivatives broking industry in terms of brokerage fees income in Hong Kong increased from HK\$2.5 billion to HK\$4.5 billion at a CAGR of 12.1%.

Brokerage fees are derived from the trading volume of derivatives. A significant market expansion from 2014 to 2015 was mainly due to an increase in the total trading volume during the same period. In addition, even though the total trading volume of exchange traded derivatives slightly decreased in 2016 due to a recession in the stock options sector, the continued growth of the broking industry was not disturbed as a result of a flourishing equity index derivatives market. As a result, market sizes of index futures and options sectors grew at CAGRs of 10.3% and 13.5%, respectively, from 2012 to 2017.

Due to the volatility of underlying assets, limitations and turbulences in the capital market of the mainland China, development in Hong Kong's fund industry, and improvement in market efficiency, the total market size of derivatives brokerage industry is forecasted to reach HK\$7.1 billion in 2022 at a CAGR of 9.8% from 2017.

**Total amount of brokerage fees income from derivatives broking activities, Hong Kong, 2012-2022E**



Note:

- Other underlying assets include currencies, commodities, interest rate, and fixed income.
- The total amount of brokerage fee income from derivatives broking activities might be overestimated since the commission fee of part of EP principal trades are estimated in accordance with industry level which might be lower in practice.

Source: CIC

## INDUSTRY OVERVIEW

### Drivers of the derivatives brokerage market in Hong Kong

#### 1. *Volatility of underlying assets*

Rising volatility in the global capital market invites active trading in the derivatives market, since futures and options are commonly used financial tools to hedge against risks. Incidents related to monetary policies, exchange rates, and geopolitical relationships, e.g., monetary policies by the U.S. government, remaining problems after the Brexit vote, devaluation of the Chinese yuan, and potential conflicts induced by the Korean THAAD system, are common factors which could induce fluctuations in global financial markets. Increased volatility in underlying assets will stimulate the demand for risk hedging and speculation, and will drive up the trading volume of the corresponding derivatives.

#### 2. *Limitations and turbulences in the capital market of the mainland China*

In the capital market of the mainland China, there are many limitations and turbulences, namely restrictions on daily trading volume of equity index derivative contracts, low-liquidity of real-estate investments, volatile security markets, and deregulated private financing. An increasing amount of mainland investors seek alternative investment opportunities in off-shore capital markets to spread risks by developing diversified portfolios. As further integrations between the economies of mainland China and Hong Kong and bilateral openings of capital markets materialize, Hong Kong is becoming increasingly popular for many mainland investors.

#### 3. *Development in Hong Kong's fund management industry*

As an international asset and wealth management center, Hong Kong's combined assets under management in the fund management business increased from HK\$12,587 billion in 2012 to HK\$18,293 billion in 2016, registering CAGR of 9.8%. The increase was the result of positive market performance and net capital inflows. Investment managers in Hong Kong diversify their portfolios by increasing their allocation into alternatives, derivatives and other investment instruments. Out of assets managed in Hong Kong in 2016, a total of HK\$397 billion was invested in alternatives and derivatives, representing an increase of 145.1% when compared to last year.

#### 4. *Improvement in market efficiency*

Derivatives are based on underlying assets, and these assets are easily mispriced in inefficient markets, under which case valuation and trading of derivatives will be heavily impeded. Efficient market means higher-level capitalisation, a large number of participants, complete regulatory oversight with high transparency, etc. All of these factors could minimize information asymmetry, promote market efficiency, reduce the gap between the intrinsic value and market value of derivatives products and attract more investors. Thus, the more sophisticated a market is, the more capitalised the local environment is, the more efficient the financial market would be and the more active the derivative trading would be. Places like Hong Kong, which have been well functioning under sophisticated capital markets for multiple years, are well suited for the development of derivatives markets.

### Market size of the Singapore derivatives brokerage market

As the SGX derivatives market contains multiple index futures and options of underlying foreign assets such as FTSE China A50, Nikkei 225, Nifty series, etc., the SGX derivatives market is considered as one of the most international financial markets in Asia. Brokers are able to charge higher in commission fees than those of the Hong Kong market. The market size of the derivatives broking industry in terms of brokerage fees income in Singapore increased from HK\$5.4 billion to HK\$10.7 billion at a CAGR of 14.8% from 2012 to 2017.

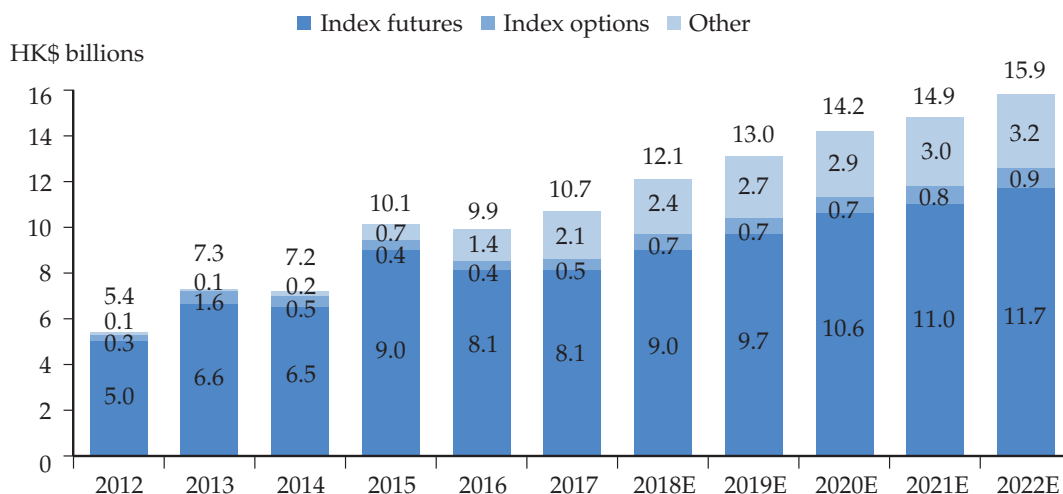
In the regional bull market in Asia in 2015, Singapore was able to attract more attention from investors due to its exposure to various foreign assets. For example, FTSE

## INDUSTRY OVERVIEW

China A50, which has become one of the key indexes for foreign investors to speculate on the Chinese stock market, was the largest contributor to the significant growth of the derivatives brokerage market in Singapore.

Owing to the diversity of products in Singapore, it is expected that the market size of the Singapore's derivatives broking industry will reach HK\$15.9 billion in 2022, registering CAGR of 8.1% in the next five years.

### Total amounts of brokerage fees income from derivatives brokerage activities, Singapore, 2012-2022E



Note:

1. Other underlying assets of exchange traded derivatives products include foreign exchange, commodities, and interest rate.
2. The total amount of brokerage fee income from derivatives activities might be overestimated since the commission fee of part of EP principal trades are estimated in accordance with industry level which might be lower in practice.

Source: CIC

### Drivers of the derivatives brokerage market in Singapore

#### 1. Various derivatives listed on SGX

By now, various derivatives tracking indexes, including China A50, Nikkei, Nifty, MSCI Taiwan, MSCI Thailand, etc., have been listed on SGX, enabling investors to achieve exposure to the financial assets in Southeast Asia, especially in those countries implementing limitations on foreign investments. In November 2016, SGX announced its launching of net total return and price return futures on the MSCI Emerging Markets (EM) and MSCI EM Asia indexes, which makes it the first and only exchange in Asia to offer investor exposure to these fast-growing market segments. Therefore, Singapore derivatives market is estimated to attract more and more investors by its extensive and increasing products range.

#### 2. Developed economy with sophisticated institutions

Singapore has a highly developed and successful free-market economy. It boasts a remarkably open and corruption-free environment, stable prices, and a per capita GDP higher than that of most developed countries. The stable economy provides the base for the prosperity of its financial market, complemented by its comprehensive and sophisticated regulations. Its highly transparent financial market is attractive to global investors.

#### 3. Strategically important location

Singapore is located on the southern tip of the Malay Peninsula in Southeast Asia, between the Indian Ocean and the South China Sea, and it is situated along important

## INDUSTRY OVERVIEW

shipping routes in Southeast Asia. With its 190 kilometers of coastline and natural deep-water ports, Singapore's trading and commerce are highly developed. Under such condition Singapore is especially important for commodity trading, including crude oil and fuel oil. It has become the trading center of oil in southeast Asia. The prosperity of commodity trading stimulates the transaction volume of related commodity futures.

#### 4. *Cooperation with Chicago Mercantile Exchange (CME)*

SGX and CME have a strategic partnership realized through a Mutual Offset System (MOS). The agreement enables futures positions opened on one participating exchange to be liquidated on the other, creating a single, 24-hour marketplace between both exchanges. Such liquidity and convenience provide more fuel for the development of its derivatives market.

### **Future outlook of the derivatives brokerage industry in Hong Kong**

#### 1. *Market consolidation*

The global derivatives broking industry has seen more frequent merger and acquisition activities in recent years. As many of the global brokers have set up subsidiaries in Hong Kong, transactions happening on the global scale will affect Hong Kong regionally. For example, Tullet Prebon, whose Hong Kong office is a non-clearing participant (NCP), acquired the voice-brokerage business of ICAP Brokers, another company with a Hong Kong NCP branch, in December 2016. BGC Partners, whose Hong Kong branch is not a participant of the HKFE, acquired Sunrise Brokers, a NCP, in the same month. Market consolidation results from strategic considerations. As market participants tend to move towards more standardized products that are exchange-traded or electronically traded, it is crucial for brokers to have a large scale in order to survive. Meanwhile, the number of HKFE Exchange Participants decreased from 185 in 2012 to 191 in mid-2018. It is estimated that merger and acquisition activities will continue in the derivatives brokerage industry in the near future.

#### 2. *Electronification*

Electronification has been a big theme of change in the derivatives broking industry with the prevalence of traditional voice brokerage and the number of voice traders declining. Electronification improves efficiency both in quoting and in execution, and it also serves as a secure means for documentation. As electronification continues to unfold, more platforms are likely to emerge, equipped with the ability to host an increasing number of asset classes.

#### 3. *Tightening regulations*

Since the 2008 global financial crisis, global regulators have been administering more stringent rules and laws in the financial services sector. Derivative securities, as a type of more sophisticated financial products, have come under intense scrutiny by watchdogs, both globally and regionally. Policies and standards are introduced to ensure a well-functioning and healthy derivatives market, not only on the direct handling of derivative securities but also on the parties involved. For example, there has been a push worldwide for further regulation on OTC derivatives, including a centrally cleared regime, collateral rules, etc. Locally in Hong Kong, the SFC has proposed a new licensing regime to introduce type 11 and type 12 licenses aimed at supervising OTC derivatives activities, which is largely an unregulated area in the Hong Kong financial market. It is anticipated that more regulations will be announced for the derivatives broking industry in the near future.

### **Competitive landscape for the derivatives broking industry in Hong Kong**

In order to participate in the Hong Kong derivatives broking industry, companies must obtain a type 2 license, a futures exchange trading right that enables licensees to trade and provide brokerage services on index and commodity futures, and buy and sell futures contracts for customers.

## INDUSTRY OVERVIEW

As of June 2018, there were a total of 9 GCPs, 160 CPs, and 22 NCPs on the HKFE with type 2 licenses issued by the SFC, of which 15 of them were providing brokerage services to external parties on derivative contracts. The rest of the corporations either were only engaged in proprietary trading or had ceased providing brokerage services.

A person needs to become a licensed representative if he/she intends to carry out regulated activities under the SFO for a licensed corporation. A licensed representative can apply to become a responsible officer, and thus become entitled to supervise regulated activities for a licensed corporation. The total number of licensed representatives and responsible officers of a licensed corporation provides a good gauge of the potential capacity to deal in derivatives of that entity.

The NCP derivatives brokerage market in Hong Kong is competitive. The top five players all had revenue over HK\$100 million, while our Group, generating over HK\$60 million revenue in 2016, were among top 10.

### Rankings of NCPs in terms of total commission revenue, 2016

Ranking		Commission revenue 2016 (HK\$ millions)
1	Competitor A	~160
2	Competitor B	~145
3	Competitor C	~125
4	Competitor D	~110
5	Competitor E	~105
6	Competitor F	~75
7	Our Group	~60
8	Competitor G	~60

### Rankings of exchange participants with type 2 license in terms of total commission revenue, 2016

Ranking		Commission revenue 2016 (HK\$ millions)
1	Competitor H	330~350
2	Competitor I	260~280
3	Competitor J	220~250
4	Competitor K	200~210
5	Competitor L	190~210
6	Competitor M	180~200
7	Competitor N	170~200
8	Competitor O	160~170
9	Competitor A	~160
10	Competitor B	~145

*Source: SFC, CIC*

### Barriers to entry for the derivatives broking industry in Hong Kong

#### 1. Regulatory requirements

Dealing in futures contracts is a regulated activity under the SFO. According to Section 116, companies are required to obtain a type 2 license from the SFC so as to carry out regulated activities. Meanwhile, companies interested in trading on and through the HKFE must attain trading rights and participation of the exchange. New entrants who are not able to secure licenses, trading rights, and participation are prohibited from dealing in futures contracts.



## INDUSTRY OVERVIEW

### 2. Capital requirements

Companies holding a type 2 license and seeking to deal in futures contracts are further regulated by the SFO to have a minimum of either HK\$5 million or HK\$30 million in paid-up capital, depending on whether the company in question is an approved introducing agent or not, according to Schedule 1 Financial Resources Requirements (FRR) of Cap. 571N Securities and Futures (Financial Resources) Rules. They are also required to abide by a Required Liquid Capital rule, where companies must maintain a minimum of HK\$500,000 or HK\$3 million in liquid capital, respectively. Under Cap. 571AI Securities and Futures (Insurance) Rules, type 2 licensees must maintain a single policy of insurance with an insured amount of no less than HK\$15 million. It requires a fair amount of capital expenditure to start a derivatives broking business in Hong Kong and it is hard for new entrants without sufficient funding to enter the market.

### 3. Expertise knowledge

Derivatives are more sophisticated financial products and require more expertise to handle. Human resources are the most important asset of a brokerage firm and experienced professionals are scarce in the industry. Existing market players tend to make efforts to retain their experienced employees. As such, new entrants may struggle to find suitable candidates to join them.

### 4. IT infrastructure

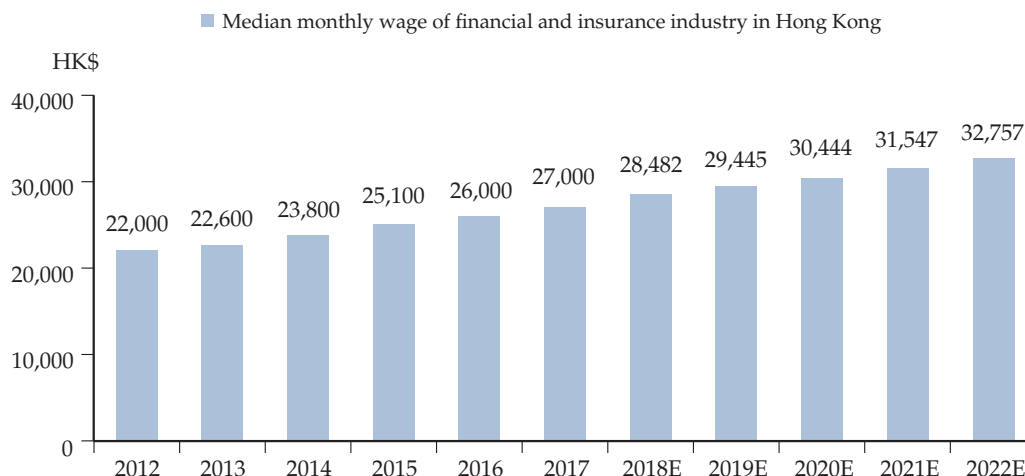
The derivatives broking industry relies heavily on IT technology to run its business. It is of paramount importance for brokers to have a competent IT system in place that ensures connections to various trading systems, including the HKATS, DCASS, OTC Clear (OCASS), etc., and cybersecurity during the course of their business. Such an IT infrastructure requires a significant amount of capital, human labor, and time to set up. New entrants often lack such infrastructure and are not able to enter the industry successfully.

## COST ANALYSIS

### Human resource cost of the Hong Kong derivatives brokerage market

Between 2012 and 2017, the median monthly wage of financial and insurance in Hong Kong increased from HK\$22,000 to HK\$27,000, registering CAGR of 4.2%. The median monthly wage is forecasted to reach HK\$32,757 by 2022.

**Median monthly wage of financial and insurance industry,  
Hong Kong, 2012-2022E**



Source: Hong Kong Census and Statistics Department, CIC

Due to the limited public information available, the median monthly wage here refers to that of the entire financial and insurance industry in Hong Kong.

## REGULATORY OVERVIEW

### A. RULES AND REGULATIONS WITH REGARDS TO HONG KONG

This section summarises the principal laws and regulations of Hong Kong which are relevant to our business. As this is a summary, it does not contain and should not be construed as a detailed analysis of the Hong Kong laws which are relevant to our business.

#### **Securities and Futures Commission**

##### *Regulation of securities and futures market*

The SFC, established in 1989, is an independent statutory body governed by the SFO, setting out its powers, roles and responsibilities. The regulatory objectives of the SFC as set out in the SFO are as follows:

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

The SFC is the only Hong Kong financial regulator given the mandate to educate the investing public. Following the enactment of the Securities and Futures (Amendment) Ordinance 2012, the Investor Education Centre was formed as an SFC subsidiary to educate the public on a broad range of retail financial products and services.

The SFC is divided into 5 operational divisions: Corporate Finance, Enforcement, Investment Products, Supervision of Markets and Intermediaries (including Licensing and Intermediaries Supervision). The SFC is also supported by the Legal Services and Corporate Affairs division.



## REGULATORY OVERVIEW

Below are participants, including investors, in the securities and futures market that SFC regulates in achieving the regulatory objectives under the SFO:

- Brokers, investment advisers, fund managers and intermediaries carrying out the regulated activities as listed in the sub-paragraph "Licensing regime" below
- Investment products
- Listed companies
- Hong Kong Exchanges and Clearing Limited
- Automated trading service providers
- Approved share registrars
- Investor Compensation Company Limited
- Market participants (including investors)

### *Licensing regime*

The SFC regulates, among others, licensed corporations and individuals carrying on type 1 to type 10 regulated activities under the SFO, investment products offered to the public, listed companies, HKEx, approved share registrars and all participants in trading activities.

The SFC operates a system whereby they authorise corporations and individuals (through licences) to act as financial intermediaries. Under the SFO, a corporation which is not an authorised financial institution (means an authorised institution as defined in Section 2(1) of the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) and is:

- (i) carrying on a business in a regulated activity (or holding out as carrying on a regulated activity); or
- (ii) actively marketing, whether in Hong Kong or from a place outside Hong Kong, to the public any services it provides, which would constitute a regulated activity if provided in Hong Kong,

must be licensed by the SFC to carry out the regulated activities, unless one of the exemptions under the SFO applies.

## REGULATORY OVERVIEW

Through licensing, the SFC regulates the financial intermediaries of licensed corporations and individuals that are carrying out the following regulated activities under Schedule 5 to the SFO:

- 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

Following the enactment of the Securities and Futures (Amendment) Ordinance (the "**Amended Ordinance**") two additional types of updated activities, being type 11 (dealing in OTC derivative products or advising on OTC derivative products) and type 12 (providing client clearing services for OTC derivative transactions). The operation of type 11 regulated activities has not begun and the operation of type 12 regulated activities will be implemented gradually.

De Riva is a corporation licensed to carry on type 1 (dealing in securities) regulated activities and type 2 (dealing in futures contracts) under the SFO on condition that De Riva shall only provide services to Professional Investors.

### *Classification of Professional Investors*

Under the SFO and the Securities and Futures (Professional Investor) Rules (Chapter 571D of the Laws of Hong Kong), the term "professional investor" is defined to include a list of entities and individuals which forms the basis for the classification of professional investors and non-professional investors.

The term "professional investor" is defined under the SFO to include the following:

- (a) any recognised exchange company, recognized clearing house, recognised exchange controller or recognised investor compensation company, or any person authorised to provide automated trading services under Section 95(2) the SFO;

## REGULATORY OVERVIEW

- (b) any intermediary, or any other person carrying on the business of the provision of investment services and regulated under the law of any place outside Hong Kong;
- (c) any authorised financial institution, or any bank which is not an authorised financial institution but is regulated under the law of any place outside Hong Kong;
- (d) any insurer authorised under the Insurance Ordinance (Chapter 41 of the Laws of Hong Kong), or any other person carrying on insurance business and regulated under the law of any place outside Hong Kong;
- (e) any government (other than a municipal government authority), any institution which performs the functions of a central bank, or any multilateral agency;
- (f) except for the purposes of Schedule 5 to the SFO, any corporation which is—
  - (i) a wholly owned subsidiary of—
    - (A) an intermediary, or any other person carrying on the business of the provision of investment services and regulated under the law of any place outside Hong Kong; or
    - (B) an authorised financial institution, or any bank which is not an authorised financial institution but is regulated under the law of any place outside Hong Kong;
  - (ii) a holding company which holds all the issued share capital of—
    - (A) an intermediary, or any other person carrying on the business of the provision of investment services and regulated under the law of any place outside Hong Kong; or
    - (B) an authorised financial institution, or any bank which is not an authorised financial institution but is regulated under the law of any place outside Hong Kong; or
  - (iii) any other wholly owned subsidiary of a holding company referred to in subparagraph (ii); or

## REGULATORY OVERVIEW

The Securities and Futures (Professional Investor) Rules (Chapter 571D of the Laws of Hong Kong) further prescribed the following persons as within the meaning of the definition of "professional investors" for the purposes of the SFO:

- (a) any trust corporation having been entrusted under the trust or trusts of which it acts as a trustee with total assets of not less than HK\$40 million or its equivalent in any foreign currency at the relevant date or—
  - (i) as stated in the most recent audited financial statement prepared—
    - (A) in respect of the trust corporation; and
    - (B) within 16 months before the relevant date;
  - (ii) as ascertained by referring to one or more audited financial statements, each being the most recent audited financial statement, prepared—
    - (A) in respect of the trust or any of the trusts; and
    - (B) within 16 months before the relevant date; or
  - (iii) as ascertained by referring to one or more custodian statements issued to the trust corporation—
    - (A) in respect of the trust or any of the trusts; and
    - (B) within 12 months before the relevant date;
- (b) any individual, either alone or with any of his or her associates on a joint account, having a portfolio of not less than HK\$8 million or its equivalent in any foreign currency at the relevant date or—
  - (i) as stated in a certificate issued by an auditor or a certified public accountant of the individual within 12 months before the relevant date; or
  - (ii) as ascertained by referring to one or more custodian statements issued to the individual (either alone or with the associate) within 12 months before the relevant date;
- (c) any corporation or partnership having—
  - (i) a portfolio of not less than HK\$8 million or its equivalent in any foreign currency; or
  - (ii) total assets of not less than HK\$40 million or its equivalent in any foreign currency,

## REGULATORY OVERVIEW

at the relevant date, or as ascertained by referring to—

- (iii) the most recent audited financial statement prepared—
  - (A) in respect of the corporation or partnership (as the case may be); and
  - (B) within 16 months before the relevant date; or
- (iv) one or more custodian statements issued to the corporation or partnership (as the case may be) within 12 months before the relevant date; and
- (d) any corporation the sole business of which at the relevant date is to hold investments and which at the relevant date is wholly owned by any one or more of the following persons—
  - (i) a trust corporation that falls within the description in paragraph (a);
  - (ii) an individual who, either alone or with any of his or her associates on a joint account, falls within the description in paragraph (b);
  - (iii) a corporation that falls within the description in paragraph (c);
  - (iv) a partnership that falls within the description in paragraph (c).

### *Types of intermediaries regulated by the SFC*

“Intermediary” means a licenced corporation or a registered institution under Schedule 1 to the SFO and a corporation means a company or other body corporate incorporated either in Hong Kong or elsewhere, but does not include a company or other body corporate which is prescribed by rules made under Section 397 of the SFO for the purposes of this definition as being exempted from the provisions of the SFO, or to the extent that it is prescribed by rules so made as being exempted from any provision of the SFO.

According to the SFC, the types of intermediaries comprise the following:

1. *Licensed corporation*: a corporation (not being an authorised financial institution) which is granted a licence to carry on one or more than one regulated activity under Section 116 of the SFO; and *Temporary licensed corporation*: a corporation (not being an authorised financial institution) which is granted a temporary licence to carry on, for a period not exceeding 3 months, one or more than one regulated activity under Section 117 of the SFO.

## REGULATORY OVERVIEW

2. *Responsible officer*: a licensed representative who is also approved as a responsible officer under Section 126 of the SFO to supervise the regulated activity of the licensed corporation to which he is accredited.
3. *Licensed representative*: an individual who is granted a licence under Section 120(1) of the SFO to carry on one or more than one regulated activity for a licensed corporation to which he is accredited;

*Provisional licensed representative*: an individual who is granted a provisional licence under Section 120(2) of the SFO to carry on one or more than one regulated activity for a licensed corporation to which he/she is accredited (prior to the grant of his/her licence under Section 120(1) of the SFO); and

*Temporary licensed representative*: an individual who is granted a temporary licence under Section 121 of the SFO to carry on, for a period not exceeding 3 months, one or more than one regulated activity for a corporation licensed under Section 116 or 117 to which he is accredited.

4. *Registered institution*: an authorised financial institution which is registered to carry on one or more than one regulated activity under Section 119 of the SFO, where an authorised financial institution means an authorised institution as defined in Section 2(1) of the Banking Ordinance (i.e. a bank, a restricted licence bank or a deposit-taking company).

### OTC Reporting Regime

The Amended Ordinance provides a regulatory framework for the OTC derivatives market in Hong Kong.

The Amended Ordinance is being implemented in stages:-

- The first stage came into effect on 10 July 2015, involving mandatory reporting of transactions in certain interest rate swaps (IRS) and non-deliverable forwards and related record keeping obligations together with the general framework of the new regime;
- The second stage involves (i) mandatory clearing of certain transactions of standardised IRS in HKD or one of the G4 currencies (i.e. USD, EUR, GBP or JPY) and related record keeping obligations, together with designation of central counterparties for the purposes of mandatory clearing; and (ii) expanding mandatory reporting so that OTC derivatives under all five key asset classes (namely interest rates, foreign exchange, equities, credit and commodities) are covered. This was implemented on 1 September 2016 and 1 July 2017 respectively;
- Other aspects of the regime will follow in later stages.

## REGULATORY OVERVIEW

The Amended Ordinance required counterparty to OTC derivatives transactions to report the transactions to HKMA via a designated electronic platform and to comply with the prescribed record keeping obligations. As our Group provides derivative brokerage services and is not a counterparty to any OTC transactions, we are not required to comply with the reporting requirement under the Amended Ordinance.

### **Licensed Corporation**

For application as a licensed corporation, the company has to be incorporated and the licensed corporation has to satisfy the SFC that it has a proper business structure, good internal control systems and qualified personnel to ensure the proper management of risks that it will encounter in carrying on the proposed business as detailed in the business plan submitted to the SFC.

Detailed guidelines to meet the requirements and expectations of the SFC are contained in the following:

- Guidelines on Competence;
- The SFC Code of Conduct;
- The ICG

### **Responsible Officers**

Each licensed corporation must appoint at least two responsible officers to directly supervise the conduct of each type of regulated activities and must have at least one responsible officer available at all times to supervise the business of such regulated activity. The same individual may be appointed to be a responsible officer for more than one regulated activity provided that he is fit and proper to be appointed so with no conflict in the roles assumed. At least one of the responsible officers must be an executive director as defined under the SFO. All executive directors must seek the SFC's approval as responsible officers accredited to the licensed corporation.

#### *Qualification and experience*

An applicant who intends to apply to be a responsible officer must demonstrate that he/she fulfills the requirements relating to both competence and sufficient authority to supervise the business of regulated activity within the licensed corporation. He should possess appropriate ability, skills, knowledge and experience to properly manage and supervise the corporation's regulated activities. Accordingly, he/she has to fulfill certain requirements relating to academic and industry qualification, industry experience, management experience and regulatory knowledge as required by the SFC.

## REGULATORY OVERVIEW

### **Licensed Representative**

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

#### *Qualification and experience*

An applicant who intends to apply to be a licensed representative must demonstrate his/her competence required under the SFO and establish his/her requisite basic understanding of the market in which he is to work as well as the laws and regulatory requirements applicable to the industry. In assessing the applicant's competence, the SFC will consider the applicant's academic and industry qualifications as well as regulatory knowledge.

### **Fit and Proper**

Persons applying for licences and registrations under the SFO, including the licensed representatives and the responsible officers, must be, and continue to be after the grant of such licences, fit and proper persons to be so licensed or registered. Section 129(1) of the SFO provides that, in considering whether a person is fit and proper for the purposes of licensing and registration, the SFC shall, in addition to any other matters that the SFC may consider relevant, having regard to the following:

- (i) the financial status or solvency;
- (ii) the educational or other qualifications or experience having regard to the nature of the functions which, if the application is allowed, the person will perform;
- (iii) the ability to carry on the regulated activity competently, honestly and fairly; and
- (iv) the reputation, character, reliability and financial integrity of the applicant.

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



## REGULATORY OVERVIEW

Furthermore, Section 129(2) of the SFO empowers the SFC to consider any of the following matters in considering whether a person is fit and proper:

- (i) decisions made by such relevant authorities as stated in Section 129(2)(a) of the SFO or any other authority or regulatory organisation, whether in Hong Kong or elsewhere, which, in the opinion of the SFC, performs a function similar to the functions of the SFC, in respect of that person;
- (ii) in the case of a corporation, any information relating to:
  - (a) any other corporation within the group of companies; or
  - (b) any substantial shareholder or officer of the corporation or of any of its group companies;
- (iii) in the case of a corporation licensed under Section 116 or Section 117 of the SFO or registered under Section 119 of the SFO or an application for such licence or registration:
  - (a) any information relating to any other person who will be acting for or on its behalf in relation to the regulated activity; and
  - (b) whether the person has established effective internal control procedures and risk management systems to ensure its compliance with all applicable regulatory requirements under any of the relevant provisions;
- (iv) in the case of a corporation licensed under Section 116 or Section 117 of the SFO or an application for the licence, any information relating to any person who is or to be employed by, or associated with, the person for the purposes of the regulated activity; and
- (v) the state of affairs of any other business which the person carries on or proposes to carry on.

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

## REGULATORY OVERVIEW

### Minimum capital requirements

Depending on the type of regulated activity, licensed corporations have to maintain at all times paid-up share capital and liquid capital not less than the specified amount according to the FRR. The FRR sets out the computation of a number of variables in respect of all the liquid assets (the values of which are subject to adjustments to cater for factors such as illiquidity and credit risks as prescribed under Division 3 of Part 4 of the FRR) and ranking liabilities (being the sum of the liabilities on the balance sheet after adjustments to cater for factors such as market risks and contingency as prescribed under Division 4 of Part 4 of the FRR) of a licensed corporation and its liquid assets must exceed its ranking liabilities. If a licensed corporation conducts more than one type of regulated activity, the minimum paid-up share capital and liquid capital that it must maintain shall be the higher or the highest amount required amongst those regulated activities.

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

The following table summarises the minimum paid-up capital that a licensed corporation is required to maintain for type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities:

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

De Riva, being a corporation licensed to carry on type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO but does not provide securities margin financing, are required to have a minimum paid-up share capital of HK\$5.0 million.

## REGULATORY OVERVIEW

### *Minimum liquid capital*

The following table summarises the minimum liquid capital that a licensed corporation is required to maintain for type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities:

<b>Regulated activity</b>	<b>Minimum liquid capital</b>
Type 1: Dealing in securities	
(i) in the case where the licensed corporation in question is an approved introducing agent or trader	HK\$500,000
(ii) in any other case	HK\$3,000,000
Type 2: Dealing in futures contracts	
(i) in the case where the licensed corporation in question is an approved introducing agent, futures non-clearing dealer or trader	HK\$500,000
(ii) in any other case	HK\$3,000,000

Pursuant to the FRR, a licensed corporation which is licensed for 2 or more regulated activities shall maintain a minimum liquid capital at all times of an amount which is the higher of (a) the amount which is the higher or highest upon comparing the specified amount for each such regulated activity (figures for regulated activities relevant to De Riva are set out in the table above); and (b) its variable required liquid capital, which, for a licensed corporation licensed for any regulated activity other than type 3 regulated activity, means the basic amount, i.e. 5.0% of the aggregate of (i) the licensed corporation's on-balance sheet liabilities including provisions made for liabilities already incurred or for contingent liabilities but excluding certain amounts stipulated in the definition of "adjusted liabilities" under the FRR; (ii) the aggregate of the initial margin requirements in respect of outstanding futures contracts and outstanding options contracts held by the licensed corporation on behalf of its clients; and (iii) the aggregate of the amounts of margin required to be deposited in respect of outstanding futures contracts and outstanding options contracts held by the licensed corporation on behalf of its clients, to the extent that such contracts are not subject to payment of initial margin requirements.

Accordingly, pursuant to the FRR, De Riva shall also maintain at all times a minimum liquid capital of at least HK\$3.0 million.

Our Directors confirm that De Riva has at all times complied with each of the above continuing compliance obligations, including FRR and SFC licensing requirements, during the Track Record Period and up to the Latest Practicable Date.

## REGULATORY OVERVIEW

### **Continuing compliance obligations**

#### *Remaining fit and proper*

Licensed corporations, licensed persons and registered institutions must remain fit and proper at all times and comply with all applicable provisions of the SFO and its subsidiary legislation as well as the codes and guidelines issued by the SFC.

#### *Submission of audited accounts*

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

#### *Submission of financial resources returns*

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

#### *Record keeping requirements*

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

#### *Maintenance of insurance*

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

## REGULATORY OVERVIEW

### *Payment of annual fees*

Under Section 138(2) of the SFO, a licensed corporation, a licensed person and a registered institution shall pay to the SFC annual fees within one month after each anniversary of the date of grant of the licence or certificate of registration (as the case may be), or on such other date as may be approved by the SFC by notice in writing. Details of the annual fees applicable to the four types of the regulated activities engaged by our Group are as follows:

<b>Type of intermediary</b>	<b>Annual fees for types 1 and type 2 regulated activities</b>
Licensed corporation	HK\$4,740 per regulated activity
Licensed representative (not approved as responsible officer)	HK\$1,790 per regulated activity
Licensed representative (approved as responsible officer)	HK\$4,740 per regulated activity

On 24 March 2016, the SFC issued a circular waiving the annual licensing fee for all licensed corporations, responsible officers and licensed representatives from 1 April 2016 to 31 March 2018.

### *Notification to the SFC of certain changes and events*

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

### *Continuous professional training*

According to the Guidelines on Continuous Professional Training published by the SFC, a licensed corporation is held primarily responsible for designing and implementing a continuous education system best suited to the training needs of the individuals they engage which will enhance their industry knowledge, skills and professionalism. A licensed corporation should at least annually evaluate the training needs of the individuals they engage. A licensed individual must undertake a minimum of five continuous professional training hours per calendar year for each regulated activity he/she engages in.

## REGULATORY OVERVIEW

### *Obligation for substantial shareholders*

Under Section 132 of the SFO, a person (including a corporation) has to apply for SFC's approval prior to becoming or continuing to be, as the case may be, a substantial shareholder of a corporation licensed under Section 116 of the SFO. A person who has become aware that he has become a substantial shareholder of a licensed corporation without SFC's prior approval should, as soon as reasonably practicable and in any event within three business days after he/she becomes so aware, apply to the SFC for approval to continue to be a substantial shareholder of the licensed corporation.

### *Variation of regulated activity specified in licence or certificate of registration*

Under Section 127(1) of the SFO, a licensed corporation may apply in the prescribed manner and payment of the prescribed fee to the SFC to vary the regulated activity specified in its licence or certificate of registration. Prior approval would also need to be obtained from the SFC in cases such as addition or reduction of regulated activity, modification or waiver of licensing conditions and change of financial year end.

### *Modification or waiver of licensing requirements*

Under the licensing requirements, a licensed corporation may apply in the prescribed manner and payment of the prescribed fee to the SFC for modification or waiver of the conditions imposed or certain other requirements specified in Section 134 of the SFO.

### *Employee dealings*

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

- (a) the written policy should specify the conditions on which employees may deal for their own accounts;
- (b) employees should be required to identify all related accounts (including accounts of their minor children and accounts in which the employees hold beneficial interests) and report them to senior management;
- (c) employees should generally be required to deal through the registered person or its affiliates;

## REGULATORY OVERVIEW

- (d) if the registered person provides services in securities or futures contracts listed or traded on one of the Hong Kong exchanges or in derivatives, including OTC derivatives written over such securities, and its employees are permitted to deal through another dealer, in those securities, the registered person and employee should arrange for duplicate trade confirmations and statements of account to be provided to senior management of the registered person;
- (e) any transactions for employees' accounts and related accounts should be separately recorded and clearly identified in the records of the registered person; and
- (f) transactions of employees' accounts and related accounts should be reported to and actively monitored by senior management of the registered person who should not have any beneficial or other interest in the transactions and who should maintain procedures to detect irregularities and ensure that the handling by the registered person of these transactions or orders is not prejudicial to the interests of the registered person's other customers.

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

### **Hong Kong Exchanges and Clearing Limited**

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

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

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

## REGULATORY OVERVIEW

HKCC has been established to provide services for the clearing and settlement of transactions on the markets operated by HKFE. Every HKCC Participant must be a HKFE Exchange Participant. HKCC Participantship is not open to anyone other than HKFE Exchange Participants. HKCC Participants may be registered under one of the following categories: General Clearing Participants or Clearing Participants and all HKCC Participants are subject to the Rules of Hong Kong Futures Exchange Limited and the Rules of HKFE Clearing Corporation Limited.

The rules promulgated by the Stock Exchange and the Futures Exchange require any person who wishes to trade on or through their respective facilities to hold a trading right. The trading right confers on its holder the eligibility to trade on or through the relevant exchange. However, the holding of a trading right does not, of itself, permit the holder to actually trade on or through the relevant exchange. In order to do this, it is also necessary for the person to be registered as a participant of the relevant exchange in accordance with its rules, including those requiring compliance with all relevant legal and regulatory requirements.

HKCC has two categories of Participantship, each of which has different conditions and privileges:

- (1) General Clearing Participant - A participant which registers and clears trades for its own and clients accounts and on behalf of Non-Clearing Participants.
  - be a HKFE Exchange Participant.
  - have a liquid capital of not less than the higher of:
    - (a) its required liquid capital under the Financial Resources Rules; or
    - (b) HK\$20,000,000.
  - contribute HK\$7,500,000 Participant Deposit to the Reserve Fund referred to in Chapter VII of the HKCC Rules.
- (2) Clearing Participant – A participant which only registers and clears trades for its own and clients accounts.
  - be a HKFE Exchange Participant.
  - have a liquid capital of not less than the higher of:-
    - (a) its required liquid capital under the Financial Resources Rules; or
    - (b) HK\$5,000,000.



## REGULATORY OVERVIEW

- contribute HK\$1,500,000 Participant Deposit to the Reserve Fund referred to in Chapter VII of the HKCC Rules.

According to the Rule 401 of the Rules of Exchange, every Exchange Participant shall at all times comply with the FRR and where applicable the financial resources requirements made under Rule 408.

Section 4 of the FRR required that a licensed corporation shall at all times maintain financial resources in the amount required under the Securities and Futures (Financial Resources) Rules.

Section 6 of the FRR states that

- (1) For the purposes of Section 4, a licensed corporation shall at all times maintain liquid capital which is not less than its required liquid capital.
- (2) Subsections (3) and (4) apply in respect of a licensed corporation licensed for one or more of the following
  - (a) Type 1 regulated activity;
  - (b) Type 2 regulated activity;
  - (c) Type 3 regulated activity;
  - (d) Type 8 regulated activity,unless it is
  - (e) in the case of paragraph (a), an approved introducing agent or a trader;
  - (f) in the case of paragraph (b), an approved introducing agent, a trader or a futures non-clearing dealer; or
  - (g) in the case of paragraph (c), an approved introducing agent.
- (3) Subject to subsection (4)
  - (a) on any particular business day on which a licensed corporation's required liquid capital rises above its liquid capital; and

## REGULATORY OVERVIEW

- (b) where applicable, on any one or more consecutive business days immediately following the day referred to in paragraph (a) on which there continues to be a required liquid capital deficit,

the licensed corporation will be regarded as having complied with subsection (1) if

- (c) it is entitled to draw down an amount not less than the required liquid capital deficit under an approved standby subordinated loan facility; and
  - (d) its required liquid capital on the day that its required liquid capital rises above its liquid capital is at least 20% more than its required liquid capital at the close of business on the previous business day, as a result of
    - (i) an increase in its adjusted liabilities which is attributable to an increase in its dealings in securities for its clients;
    - (ii) an increase in the aggregate of the initial margin requirements, or of the amounts of margin required to be deposited, in respect of outstanding futures contracts or outstanding options contracts held by it on behalf of its clients;
    - (iii) an increase in its aggregate gross foreign currency position;
    - (iv) an increase in its adjusted liabilities which is attributable to an increase in the aggregate of the amounts receivable from its margin clients; or
    - (v) where applicable, the aggregate of the increases described in 2 or more of subparagraph (i), (ii), (iii) or (iv).
- (4) Subsection (3) only applies on a day referred to in subsection (3)(a) or (b) if, during the 60 days immediately preceding that day, the required liquid capital of the licensed corporation has exceeded its liquid capital on 4 or less business days.

## REGULATORY OVERVIEW

### **Anti-money Laundering and Terrorist Financing**

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

Licensed corporations are required to comply with applicable anti-money laundering laws and regulations in Hong Kong. The four main pieces of legislation in Hong Kong that are concerned with money laundering and terrorist financing are the Anti-Money Laundering and Counter Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong), the Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong), the Organised and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) and the United Nations (Anti-Terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong). The SFC has also published (1) Prevention of Money Laundering & Terrorist Financing Guideline (April 2012); and (2) Guideline on Anti-Money Laundering and Counter Terrorist Financing (April 2015) which require licensed corporations to, among other things, adopt and enforce "know-your-clients" policies and procedures. Staff of licensed corporations who know, suspect or have reasonable grounds to believe that a customer might have engaged in money laundering activities must immediately report to the compliance division of its organisation which, in turn, will be reported to the Joint Financial Intelligence Unit.

### **B. OUR GROUP'S COMPLIANCE**

In relation to the aforesaid compliance obligations, our Group has adopted various measures as set out in our Group's internal manuals to ensure compliance with the applicable ordinances, rules, regulations, code of conducts and relevant guidelines as discussed above.

In particular, our Group's internal manuals also cover registration and notification requirements with the SFC, know-your-client requirements, anti-money laundering measures and compliance and operational procedures in carrying out the regulated activities.

De Riva is an Exchange Participant of Hong Kong Exchange Limited under the category of Futures Commission Merchants. Accordingly, De Riva is subject to the Rules, Regulations and Procedures of the Futures Exchange.

In relation to our SGX derivatives brokerage business, as all of our SGX related trades are conducted through other execution brokers, accordingly our Group is not subjected directly to the relevant rules and regulations in Singapore.

## REGULATORY OVERVIEW

In relation to the Eurex MSCI derivatives market which our Group plans to expand into, the trades will be conducted OTC, as such these transactions will not be subject to Eurex regulatory regime.

### **REGULATORY AND SHAREHOLDERS’ APPROVAL REQUIRED FOR REORGANISATION AND [REDACTED]**

Our Group has obtained approval from the SFC regarding the change of substantial shareholder in De Riva under the Reorganisation on 31 January 2018. Such changes need to be completed within 6 months after the grant of the approval or else further approval will need to be obtained from the SFC.

For details of the Reorganisation, please refer to the section headed “History, Reorganisation and corporate structure” in this document.

For Shareholders’ approval, please refer to the section headed “A. Further information about our Group — 3. Written resolutions of our Shareholders passed on [●]” in Appendix IV to this document.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### HISTORY

#### Our corporate history

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 1 November 2017 in anticipation of the [REDACTED]. Following the Reorganisation, our Company became an investment holding company holding the entire interest in De Riva, our key operating subsidiary, indirectly through the intermediary company, DLS Capital. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” in this section.

Our business can be traced back to 2009 when De Riva, our operating subsidiary, was established by Mr. Wong Nelson, Mr. Ngo Tong-Heng, and Mr. Kabbabe Karim, all of whom are Independent Third Parties. Over the period from 2010 to 2017, Mr. Ngo Tong-Heng acquired the controlling shareholding of De Riva through various transfers, allotments and issues of shares in January 2010, and then Mr. Yu, our Controlling Shareholder and our non-executive Director, through Pacific Asset, acquired the majority shareholding of De Riva from Mr. Ngo Tong-Heng in October 2013 with his personal fund. After that, Mr. Yu, through Pacific Asset transferred part of his shareholdings in De Riva to Mr. Lau Ming Hong, Henry, through Santo Global, and Crystal Dragon Limited (“**Crystal Dragon**”), respectively in 2014. In March 2017, Mr. Wong Nelson and Mr. Ngo Tong-Heng transferred their entire shareholdings in De Riva to Mr. Ng and Mr. Choi respectively. On 24 August 2017, Crystal Dragon transferred [REDACTED]% of the then issued share capital of De Riva (representing the entire shareholdings in De Riva it owned) to Santo Global, and on 1 November 2017, Pacific Asset transferred [REDACTED]% of the then issued share capital of De Riva to Santo Global.

#### Our licensing history

In July 2010, De Riva was registered with the SFC to carry on type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities.

### BUSINESS MILESTONE

Our Directors believe that through its years of operations, De Riva has established itself as a reliable and trusted interdealer brokerage firm of derivatives in Hong Kong. Set out below are the key milestones relating to our business over the years:

<b>Year</b>	<b>Key milestones</b>
2009	De Riva was incorporated on 27 July 2009
2010	De Riva obtained its type 1 (dealing in securities) and type 2 (dealing in futures contracts) licences from the SFC and commenced its business on 29 July 2010

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Year	Key milestones
	De Riva was admitted as a HKFE Exchange Participant under the category of Futures Commission Merchants on 16 August 2010
2013	Mr. Yu, through Pacific Asset, acquired control over De Riva  Mr. Choi, Mr. Lee, Mr. Fung, and Mr. Ng joined De Riva  French-speaking licensed broker joined De Riva as Licensed Representative, responsible for dealing with French-speaking customers
2015	Korean-speaking licensed broker joined De Riva as Licensed Representative, responsible for dealing with Korean-speaking customers
2017	Mr. Lau joined De Riva as managing director
2018	We moved to our new head office and principal place of business in Hong Kong

### CORPORATE HISTORY

Upon completion of the Reorganisation, our Group comprises of our Company and its subsidiaries, particulars of which are set out below:

Name of subsidiary	Principal business activities	Date of Incorporation	Interest Attributable to Our Group
DLC Asia Limited	Investment holding	1 November 2017	100%
DLS Capital	Investment holding	13 October 2017	100%
De Riva	Derivatives brokering	27 July 2009	100%

Details of the corporate history of our Group is set out below:

#### Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 1 November 2017 and became the holding company of our Group, pursuant to the Reorganisation which was completed on [●]. Our Group comprises of our Company, DLS Capital and De Riva.

Immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), Oasis Green will hold [REDACTED] Shares, representing [REDACTED]% of the issued share capital of our Company as enlarged by the [REDACTED] and the [REDACTED].

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

For details of changes in the share capital of our Group, please refer to the paragraph headed "A. Further information about our Company — 2. Changes in the share capital of our Company" in Appendix IV to this document.

### DLS Capital

On 13 October 2017, DLS Capital was incorporated in the BVI with limited liability and was authorised to issue a maximum of 50,000 shares of a single class, each with a par value of US\$1.00 each.

On 13 November 2017, as part of the Reorganisation, DLS Capital allotted and issued [REDACTED] shares of US\$1.00 each to Pacific Asset, [REDACTED] shares of US\$1.00 each to Santo Global, [REDACTED] shares of US\$1.00 each to Mr. Ng and [REDACTED] shares of US\$1.00 each to Mr. Choi, all credited as fully paid.

On [●] 2018, as part of the Reorganisation, DLS Capital allotted and issued [REDACTED] shares of US\$1.00 each to Pacific Asset, [REDACTED] shares of US\$1.00 each to Santo Global, [REDACTED] shares of US\$1.00 each to Mr. Ng and [REDACTED] shares of US\$1.00 each to Mr. Choi, in consideration of the acquisition of the entire issued share capital of De Riva from Pacific Asset, Santo Global, Mr. Ng and Mr. Choi.

On [●] 2018, as part of the Reorganisation, Pacific Asset, Santo Global, Mr. Ng and Mr. Choi each transferred all of their respective shares in DLS Capital to our Company in consideration of our Company allotting and issuing, credited as fully paid, [REDACTED] shares in aggregate to Oasis Green at the direction of Pacific Asset, Jolly Ocean at the direction of Santo Global, Dense Jungle at the direction of Mr. Ng and Beyond Delta at the direction of Mr. Choi for the acquisition of the entire issued share capital of DLS Capital by our Company. Since then, DLS Capital is a [REDACTED]% owned subsidiary of our Company, principally engaged in investment holding.

### De Riva

On 27 July 2009, De Riva was incorporated in Hong Kong as a company with limited liability and is our principal operating subsidiary. At the time of its incorporation, De Riva allotted and issued (i) [REDACTED] shares at par to Mr. Wong Nelson, an Independent Third Party; (ii) [REDACTED] shares to Mr. Ngo Tong-Heng, an Independent Third Party; and (iii) [REDACTED] at par to Mr. Kabbabe Karim, an Independent Third Party.

On 6 January 2010, Mr. Ngo Tong-Heng acquired from Mr. Kabbabe Karim his [REDACTED] shares for a consideration of HK\$2,450,000.

On 26 July 2010, De Riva allotted and issued [REDACTED] shares to Mr. Ngo Tong-Heng for a consideration of HK\$1,200,000.

On 20 October 2010, De Riva allotted and issued [REDACTED] shares to Mr. Ngo Tong-Heng for a consideration of HK\$600,000.

On 24 February 2012, Mr. Wong Nelson acquired from Mr. Ngo Tong-Heng his [REDACTED] shares for a consideration of HK\$240,000.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 21 August 2013, Mr. Wong Nelson acquired from Mr. Ngo Tong-Heng his [REDACTED] shares for a consideration of HK\$272,000.

On 23 October 2013, Pacific Asset acquired from Mr. Ngo Tong-Heng his [REDACTED] shares for a consideration of HK\$10,445,989, which was determined with reference to the unaudited net asset value of De Riva as at 31 January 2013. The consideration was settled in cash by installments made on 2 March 2013 and 18 October 2013 respectively. The acquisition allowed Mr. Yu, who was and is the sole shareholder of Pacific Asset, to invest in De Riva, which already had a derivative brokerage platform in place with contracts signed with major clients in the market. As Mr. Yu had years of acquaintance with Mr. Choi and Mr. Ng and was well aware of their extensive network and experience in the derivatives brokerage industry, he approached Mr. Choi, Mr. Lee, Mr. Fung and Mr. Ng to discuss their potential joining of the Group after Mr. Yu agreed to become the majority shareholder of De Riva and anticipated that after their joining of De Riva, the business of De Riva would have a promising growth potential, hence decided to make the acquisition through Pacific Asset.

On 8 December 2014, Santo Global acquired from Pacific Asset its [REDACTED] shares for a consideration of HK\$6,980,000. For details of such acquisition, please refer to the paragraph headed “[REDACTED]” in this section.

On 8 December 2014, Crystal Dragon acquired from Pacific Asset its [REDACTED] shares for a consideration of HK\$3,490,000, which was determined taking into account the potential business growth of De Riva as a result of Mr. Yu, through Pacific Asset, becoming the controlling shareholder of De Riva to reinforce the operation of De Riva and the joining of Mr. Lee, Mr. Fung, Mr. Choi and Mr. Ng as senior management. The consideration was settled by way of set-off of a loan made to Pacific Asset by Crystal Dragon on 25 February 2013 which was in substance “earnest money” paid to Pacific Asset with a view to securing an opportunity to acquire [REDACTED] shares (representing [REDACTED]% of shareholding interest in De Riva then) in De Riva at a later date. The investment was made taking into account the potential business growth of De Riva after the joining of Mr. Lee, Mr. Fung, Mr. Choi and Mr. Ng and that the investment would serve as a tool for hedging the investment portfolio of the ultimate beneficial owner of Crystal Dragon and the share transfer was effective on 8 December 2014.

On 2 March 2017, Mr. Ng acquired from Mr. Wong Nelson his [REDACTED] shares for a consideration of HK\$2,400,000. For details of such acquisition, please refer to the paragraph headed “[REDACTED]” in this section.

On 22 March 2017, Mr. Choi acquired from Mr. Ngo Tong-Heng his [REDACTED] shares for a consideration of HK\$1,200,000. For details of such acquisition, please refer to the paragraph headed “[REDACTED]” in this section.

On 24 August 2017, as part of the Reorganisation, Santo Global acquired from Crystal Dragon its [REDACTED] shares for a consideration of HK\$1,200,000. For details of such acquisition, please refer to the paragraph headed “[REDACTED]” in this section.



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 1 November 2017, as part of the Reorganisation, Santo Global acquired from Pacific Asset its [REDACTED] shares for a consideration of HK\$2,800,000. For details of such acquisition, please refer to the paragraph headed "[REDACTED]" in this section.

On [●], as part of the Reorganisation, DLS Capital acquired the entire issued share capital of De Riva from Pacific Asset, Santo Global, Mr. Ng and Mr. Choi, the consideration of which was satisfied by DLS Capital allotted and issued [REDACTED] shares of US\$1.00 each to Pacific Asset, [REDACTED] shares of US\$1.00 each to Santo Global, [REDACTED] shares of US\$1.00 each to Mr. Ng and [REDACTED] shares of US\$1.00 each to Mr. Choi.

Since then, De Riva was wholly and indirectly owned by our Company.

### CORPORATE STRUCTURE PRIOR TO THE REORGANISATION

The following chart shows the shareholding and corporate structure of our Group immediately before the Reorganisation, the [REDACTED] and the [REDACTED].

[REDACTED]

### REORGANISATION

The companies comprising our Group underwent the Reorganisation in preparation for the [REDACTED], pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following major steps:

#### 1. Acquisition of shares in De Riva from Crystal Dragon by Santo Global

On 24 August 2017, Santo Global purchased from Crystal Dragon the [REDACTED] shares in the issued share capital of De Riva (representing [REDACTED]% of the then issued share capital of De Riva) held by Crystal Dragon, at the total consideration of HK\$1,200,000, being approximately [REDACTED]% of the audited net asset value of De Riva of HK\$38,769,000 as at 31 March 2017. Completion of such transfer took place on 24 August 2017 and the consideration has been fully settled by cash.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### 2. Acquisition of shares in De Riva from Pacific Asset by Santo Global

On 1 November 2017, Santo Global purchased from Pacific Asset the [REDACTED] shares in the issued share capital of De Riva (representing [REDACTED]% of the then issued share capital of De Riva) held by Pacific Asset, at the total consideration of HK\$2,800,000, being approximately [REDACTED]% of the audited net asset value of De Riva of HK\$38,769,000 as at 31 March 2017. On 23 October 2017, SFC granted its approval in relation to the application of Santo Global to become a substantial shareholder of De Riva as a result of such acquisition of shares by Santo Global from Pacific Asset. Completion of such transfer took place on 1 November 2017 and the consideration has been fully settled by cash.

### 3. Incorporation of DLS Capital

On 13 October 2017, DLS Capital was incorporated in the BVI with limited liability, with an authorised share capital of 50,000 shares of a single class of par value of US\$1.00 each.

### 4. Allotment of new shares in DLS Capital

On 13 November 2017, DLS Capital allotted and issued [REDACTED], [REDACTED], [REDACTED] and [REDACTED] new shares at par to Pacific Asset, Santo Global, Mr. Ng and Mr. Choi respectively. Thereafter, DLS Capital was held by Pacific Asset, Santo Global, Mr. Ng and Mr. Choi as to [REDACTED], [REDACTED], [REDACTED] and [REDACTED] shares respectively, representing [REDACTED]%, [REDACTED]%, [REDACTED]% and [REDACTED]% respectively of the then issued share capital of DLS Capital.

### 5. Incorporation of our Company

On 1 November 2017, our Company was incorporated as an exempted company in the Cayman Islands under the Companies Law and the initial one nil-paid subscriber share (the "Incorporation Share") was issued to the subscriber, an Independent Third Party, on the date of incorporation and was transferred to Mr. Choi at nil consideration on the same day. The authorised share capital of our Company was HK\$380,000 divided into 38,000,000 Shares of a single class each with a par value of HK\$0.01 at the time of incorporation.

### 6. Transfer of share in our Company from Mr. Choi to Beyond Delta

On 29 November 2017, Mr. Choi transferred his one share in our Company at par to Beyond Delta, a company incorporated in the BVI which is beneficially wholly-owned by him.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### 7. Allotment of [REDACTED] in our Company

On 29 November 2017, our Company has allotted and issued [REDACTED], [REDACTED], [REDACTED] and [REDACTED] at par to Oasis Green, Jolly Ocean, Dense Jungle and Beyond Delta respectively. Thereafter, our Company was held by Oasis Green, Jolly Ocean, Dense Jungle and Beyond Delta as to 3,450, 800, 450 and 300 Shares respectively, representing approximately 69%, 16%, 9% and 6% respectively of the then issued share capital of our Company.

### 8. Acquisition of De Riva by DLS Capital

On [●], DLS Capital acquired from (i) Pacific Asset its [REDACTED] Shares; (ii) Santo Global its [REDACTED] Shares; (iii) Mr. Ng his [REDACTED] Shares; and (iv) Mr. Choi his [REDACTED] Shares, representing the entire issued share capital of De Riva, the consideration of which was satisfied by DLS Capital allotting and issuing [REDACTED] shares, credited as fully paid, to the shareholders of De Riva as to (i) [REDACTED] shares to Pacific Asset; (ii) [REDACTED] shares to Santo Global; (iii) [REDACTED] shares to Mr. Ng; and (iv) [REDACTED] shares to Mr. Choi.

### 9. Acquisition of DLS Capital by our Company

On [●], Pacific Asset, Santo Global, Mr. Ng and Mr. Choi transferred their [REDACTED], [REDACTED], [REDACTED] and [REDACTED] shares in DLS Capital respectively, being the entire issued share capital of DLS Capital, to our Company, at the consideration of HK\$[●], which was determined based on [●], and was settled by our Company allotting and issuing (i) [REDACTED] shares to Oasis Green, at the direction of Pacific Asset; (ii) [REDACTED] shares to Jolly Ocean, at the direction of Santo Global; (iii) [REDACTED] shares to Dense Jungle, at the direction of Mr. Ng; and (iv) [REDACTED] shares to Beyond Delta, at the direction of Mr. Choi, and credited as fully paid of the nil-paid Incorporation Share. After completion of the above share transfer, DLS Capital became a direct wholly-owned subsidiary of our Company.

Based on the foregoing arrangements as agreed by the parties, the acquisition of DLS Capital by our Company was properly and legally completed and settled.

Our Directors confirm that the change of shareholdings in DLS Capital under the Reorganisation would not require any approval or permit from any relevant government authorities in the Cayman Islands or the BVI.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION BUT BEFORE COMPLETION OF THE [REDACTED] AND THE [REDACTED]

The following chart shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the [REDACTED] [REDACTED] and the [REDACTED].

[REDACTED]

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### CORPORATE STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE REORGANISATION, THE [REDACTED] AND THE [REDACTED]

The following chart shows the shareholding and corporate structure of our Group immediately after completion of the Reorganisation, the [REDACTED] and the [REDACTED], without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme.

[REDACTED]

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

[REDACTED]

### Principal terms of the [REDACTED]

#### *Acquisition by Mr. Ng in March 2017*

On 2 March 2017, Mr. Ng acquired [REDACTED] shares, being [REDACTED]% of the total issued shares of De Riva, from Mr. Wong Nelson for a total consideration of HK\$[REDACTED], which was settled on 1 March 2017. The investment was made taking into account the business growth of De Riva after the joining of Mr. Lee, Mr. Fung, Mr. Choi and Mr. Ng himself and that the selling shareholder Mr. Wong Nelson was interested in realising his investment at the time. The principal terms of such acquisition are summarised as below:

Acquired from	Mr. Wong Nelson
Number of shares purchased	[REDACTED] shares of De Riva, representing [REDACTED]% of the total issued shares of De Riva
Amount of consideration paid	HK\$[REDACTED] in cash
Completion date	2 March 2017
Basis of determining the consideration	The consideration was determined based on arm's length negotiations between the parties taking into account that the selling shareholder wished to realise his investment in De Riva at the time.
Investment cost per Share	Approximately HK\$[REDACTED]
Discount to the [REDACTED] range (taking into account the [REDACTED])	[REDACTED]
Shareholding in our Company following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares to be issued upon exercise of options which may be granted under the Share Option Scheme)	[REDACTED]%
[REDACTED] from the investment	Not applicable. The investment by Mr. Ng was by way of purchasing the shares of De Riva from Mr. Wong Nelson, a then shareholder of De Riva.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### *Acquisition by Mr. Choi in March 2017*

On 22 March 2017, Mr. Choi acquired [REDACTED] shares, being [REDACTED]% of the total issued shares of De Riva, from Mr. Ngo Tong-Heng for a total consideration of HK\$[REDACTED], which was settled on 31 March 2017. The investment was made taking into account the business growth of De Riva after the joining of Mr. Lee, Mr. Fung, Mr. Ng and Mr. Choi himself and that the selling shareholder Mr. Ngo Tong-Heng was interested in realising his investment at the time. The principal terms of such acquisition are summarised as below:

Acquired from	Mr. Ngo Tong-Heng
Number of shares purchased	[REDACTED] shares of De Riva, representing [REDACTED]% of the total issued shares of De Riva
Amount of consideration paid	HK\$[REDACTED] in cash
Completion date	22 March 2017
Basis of determining the consideration	The consideration was determined based on arm's length negotiations between the parties taking into account that the selling shareholder wished to realise his investment in De Riva at the time.
Investment cost per Share	[REDACTED]
Discount to the [REDACTED] range (taking into account the [REDACTED])	[REDACTED]
Shareholding in our Company following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares to be issued upon exercise of options which may be granted under the Share Option Scheme)	[REDACTED]%
[REDACTED] from the investment	Not applicable. The investment by Mr. Choi was by way of purchasing the shares of De Riva from Mr. Ngo Tong-Heng, a then shareholder of De Riva.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### *Acquisition by Santo Global from Pacific Asset in December 2014*

On 8 December 2014, Santo Global acquired 408,000 shares, being [REDACTED]% of the total issued shares of De Riva, from Pacific Asset for a total cash consideration of HK\$[REDACTED] (the "First Investment"). The consideration was settled on 24 January 2013 and the share transfer was effective on 8 December 2014. The payment by Santo Global to Pacific Asset on 24 January 2013 was initially intended for co-investment with Pacific Asset and Mr. Yu on his upcoming business projects and this sum was later applied towards the settlement of the First Investment. Mr. Lau Ming Hong Henry, through his friends and acquaintance came to realise the strong growth potential and prospect of derivative trading in the Hong Kong securities market and was also optimistic about the potential business growth of De Riva following the joining of Mr. Choi, Mr. Lee, Mr. Fung and Mr. Ng.

### *Acquisition by Santo Global from Crystal Dragon in August 2017*

On 24 August 2017, Santo Global acquired [REDACTED] shares, being [REDACTED]% of the total issued shares of De Riva, from Crystal Dragon, for a total cash consideration of HK\$[REDACTED] (the "Second Investment"), which was settled on 4 September 2017. As Santo Global was interested in further increasing its stake in De Riva, hence the Second Investment.

### *Acquisition by Santo Global from Pacific Asset in November 2017*

On 1 November 2017, Santo Global acquired [REDACTED] shares, being [REDACTED]% of the total issued shares of De Riva, from Pacific Asset, for a total cash consideration of HK\$[REDACTED] (the "Third Investment"), which was settled on 1 November 2017. As Santo Global was interested in further increasing its stake in De Riva, hence the Third Investment.

The table below summarises the principal terms of the First Investment, Second Investment and Third Investment by Santo Global:

	First Investment	Second Investment	Third Investment
Acquired from	Pacific Asset	Crystal Dragon	Pacific Asset
Number of shares purchased	[REDACTED] shares of De Riva, representing [REDACTED]% of the total issued shares of De Riva	[REDACTED] shares of De Riva, representing [REDACTED]% of the total issued shares of De Riva	[REDACTED] shares of De Riva, representing [REDACTED]% of the total issued shares of De Riva
Amount of consideration paid	HK\$[REDACTED] in cash	HK\$[REDACTED] in cash	HK\$[REDACTED] in cash
Completion date	8 December 2014	24 August 2017	1 November 2017



## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

	First Investment	Second Investment	Third Investment
Basis of determining the consideration	The consideration was determined based on arm's length negotiations with reference to the possible business growth of De Riva since the joining of Mr. Choi, Mr. Lee, Mr. Fung and Mr. Ng	The consideration was determined based on arm's length negotiations with reference to the audited net asset value of De Riva as at 31 March 2017 and the actual payment of De Riva since the First Investment which had already reflected the investment of Mr. Choi, Mr. Lee, Mr. Fung and Mr. Ng	The consideration was determined based on arm's length negotiations with reference to the audited net asset value of De Riva as at 31 March 2017 and the actual payment of De Riva since the First Investment which had already reflected the investment of Mr. Choi, Mr. Lee, Mr. Fung and Mr. Ng
Investment cost per Share	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]	Approximately HK\$[REDACTED]
Discount to the [REDACTED] range (taking into account the [REDACTED])	[REDACTED]	[REDACTED]	[REDACTED]

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

	First Investment	Second Investment	Third Investment
<p>Shareholding in our Company following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares to be issued upon exercise of options which may be granted under the Share Option Scheme)</p> <p>[REDACTED] from the investment</p>	<p>[REDACTED]%</p> <p>Not applicable. The investment by Santo Global was by way of purchasing the shares of De Riva from Pacific Asset, a then shareholder of De Riva.</p>	<p>[REDACTED]%</p> <p>Not applicable. The investment by Santo Global was by way of purchasing the shares of De Riva from Crystal Dragon, a then shareholder of De Riva.</p>	<p>[REDACTED]%</p> <p>Not applicable. The investment by Santo Global was by way of purchasing the shares of De Riva from Pacific Asset, a then shareholder of De Riva.</p>
<p>Total shareholding in our Company following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares to be issued upon exercise of options which may be granted under the Share Option Scheme)</p>		<p>[REDACTED]%</p>	
<p>Average investment cost per Share</p>		<p>[REDACTED]</p>	

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

	First Investment	Second Investment	Third Investment
Average discount to the [REDACTED] (based on the [REDACTED] of [REDACTED] per Share, being the mid-point of the indicative [REDACTED] range and taking into account the [REDACTED])		[REDACTED]	

### Background of the [REDACTED]

Mr. Ng and Mr. Choi are our executive Directors. For their backgrounds, please refer to the section headed "Directors and senior management" in this document.

Santo Global is a company incorporated with limited liability in Hong Kong on 21 March 2014. Santo Global is principally engaged in investment holding.

The current holder of the shares of Santo Global is Mr. Lau Ming Hong, Henry, the brother of Mr. Lau, our executive Director. Mr. Lau Ming Hong, Henry has been the sole shareholder of Santo Global since its incorporation. Since 2014, he has been self-employed and involved in managing personal investments through a number of companies in Hong Kong. Prior to 2014, he had worked in the field of business development primarily in agriculture and commodities project in Asia. Mr. Lau Ming Hong, Henry has been engaged in various investment activities in public and private companies in the USA, Hong Kong and Greater China.

Mr. Yu, our Controlling Shareholder, confirmed that he was introduced to Mr. Lau Ming Hong, Henry through social acquaintance where they had the opportunity to share the business prospect and opportunity of our Group.

Save as mentioned above, each of Mr. Ng, Mr. Choi and Mr. Lau Ming Hong, Henry has confirmed that (a) he has never been involved in any dealing or transaction with our Directors, the Controlling Shareholders, any member of our Group and any of their respective associates; (b) he did not acquire interests in our Company with finance provided directly or indirectly by our core connected person(s); and (c) he does not take instructions from our core connected person(s) in relation to the acquisition, disposal, voting or other disposal of his interest in our Company. Pursuant to the terms of the [REDACTED], none of the [REDACTED] enjoys any special rights in connection with the [REDACTED]. Each of the [REDACTED] has undertaken to hold all Shares for such period as required by the applicable laws, rules or regulatory requirements (including the GEM Listing Rules) or as requested by the Stock Exchange or the Sole Sponsor and/or the [REDACTED] in connection with the [REDACTED].

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### Lock-up and [REDACTED]

The Shares held by the [REDACTED] are not subject to lock-up period after the [REDACTED]. As Jolly Ocean, which is wholly owned by Santo Global, is expected to hold more than 10% of the total issued share capital of our Company immediately following the completion of the [REDACTED], it will be a Substantial Shareholder of our Company upon [REDACTED] and hence all Shares held by Jolly Ocean will not be counted as part of the [REDACTED] for the purpose of Rule 11.23 of the GEM Listing Rules.

As Mr. Ng and Mr. Choi are our executive Directors, all Shares held by Dense Jungle and Beyond Delta, which are wholly owned companies by Mr. Ng and Mr. Choi respectively, will not be counted as part of the [REDACTED] for the purpose of Rule 11.23 of the GEM Listing Rules.

### Confirmation from the Sole Sponsor

After reviewing the terms of the [REDACTED] and given that the [REDACTED] were completed more than 28 clear days before the date of submission of the application for the [REDACTED], the Sole Sponsor confirms that the [REDACTED] are in compliance with the Guidance Letters HKEx-GL29-12 (January 2012) (Updated in March 2017), HKEx-GL43-12 (October 2012) (Updated in July 2013 and March 2017) and HKEx-GL44-12 (October 2012) (Updated in March 2017) issued by the Stock Exchange.

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### OVERVIEW

Our Group is an interdealer broker in Hong Kong providing derivatives brokerage services to Professional Investors. Our Group carries out our derivatives brokerage business through our wholly-owned subsidiary, De Riva, which is a licensed corporation under the SFO and a HKFE Exchange Participant. De Riva is licensed by the SFC to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities in Hong Kong for Professional Investors without providing any margin financing. Under the licensing condition, our Group can only provide services to Professional Investors.

The principal business of our Group is derivatives brokerage, which involves matching and/or executing and settling derivatives trade orders for our customers. During the Track Record Period, when our customers place a trade order, it usually involves a combination of futures and options and other derivatives products. These trade combinations are typically viewed as a single product in the derivatives market by our customers. For further details of these trade combinations please refer to the paragraph headed “Our brokerage services — Our major trade combinations” under this section.

Our customers are all Professional Investors as defined under the SFO, including investment banks, market makers and funds. As at 31 March 2016, 31 March 2017 and 31 March 2018, our Group had a total of 76, 78, and 85 customers, of which 50, 45 and 44 of them are active customers (*note*), respectively.

During the Track Record Period, our trade orders involved both listed derivatives products and non-listed derivatives products. For listed derivatives products, the trade orders were either executed on the HKEx or the SGX. For non-listed derivatives products, the trade orders were all executed OTC. For all OTC trade orders, our Group acted as an agent to arrange for and match up trade orders, and did not provide any execution, settlement or clearing services. The trading parties are directly responsible for all risks involved in the OTC transactions.

During the Track Record Period, our Group derived all of our revenue from commission income for our derivatives brokerage services provided to our customers. For each of the three years ended 31 March 2016, 2017 and 2018, our total revenue was approximately HK\$60.2 million, HK\$59.8 million and HK\$76.8 million, respectively. Our commission fee is calculated based on either the number of contracts traded or the notional value traded. For further details on the calculation methods of commission fee, please refer to the paragraph headed “Our pricing policy” under this section.

*Note:* For the purposes of this document, active customers are customers who have traded through our Group in the previous 12 months.

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The table below sets out our revenue breakdown by channel of execution:

	For the year ended 31 March					
	2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
HKEx	50,882	84.5	46,681	78.1	64,033	83.4
SGX	7,356	12.2	11,657	19.5	8,016	10.5
OTC	1,968	3.3	1,414	2.4	4,710	6.1
<b>Total</b>	<b>60,206</b>	<b>100.0</b>	<b>59,752</b>	<b>100.0</b>	<b>76,759</b>	<b>100.0</b>

The business operations of our Group are reliant on a number of service providers, including execution brokers, clearing brokers, market data vendor, etc. During the Track Record Period, the major contracts our Group signed with our service providers are the brokerage agreements with our clearing and execution brokers, and a service agreement with a market data vendor. For further details of our service providers, please refer to the paragraph headed "Our service providers" under this section.

During the Track Record Period and up to the Latest Practicable Date, our Group carried out our derivatives brokerage business through our only office in Wanchai, Hong Kong. Our Directors confirm that our Group does not have any other subsidiaries, branches or partnerships outside Hong Kong.

### OUR COMPETITIVE STRENGTHS

As an interdealer broker of derivatives, our Group assisted in the negotiation process between the trading parties through acting as an intermediary to facilitate the information flow and the price discovery process in the derivatives market. Our Directors believe the following competitive strengths contributed to our continued success and potential for growth:

#### **Experienced and competent senior management with strong customer base**

Our Group is led by a team of experienced professionals. Each of our executive Directors, Mr. Lau, Mr. Choi, Mr. Lee, Mr. Fung, and Mr. Ng, has over 10 years of working experiences in the equity derivatives market, and has established relationships with customers in the derivatives market that allow our Group to source liquidity for various derivatives products. The key executives including our Directors and/or shareholders played a crucial role as a team in the business development of our Group. During the Track Record Period, our executive Directors, namely Mr. Choi and Mr. Ng, have successfully referred 2 customers which, have been served and cultivated by our licensed brokers collectively, have become our Group's top ten customers for the year ended 31 March 2017, and together contributed approximately HK\$2.6 million, HK\$6.2 million and HK\$4.2 million to our total revenue for the years ended 31 March 2016, 2017 and 2018, representing approximately 4.3%, 10.3% and 5.5% of our total revenue, respectively.

## BUSINESS

Furthermore, as a team, the current management team is able to maintain and cultivate the then existing customers of our Group since they have joined in 2013, together with the engagement of new customers, led to an overall increase in our Company's revenue from approximately HK\$44.7 million for the year ended 31 March 2013 to approximately HK\$76.8 million for the year ended 31 March 2018 with a CAGR of approximately 14.5% and a healthier financial position as a whole with an reversal of loss making position to a profit making position from a net loss of approximately HK\$23 thousand for the year ended 31 March 2013 to a net profit (excluding non-recurring [REDACTED] of approximately HK\$[REDACTED]) of approximately HK\$[REDACTED] for the year ended 31 March 2018. Therefore, it is believed that the success of the development of our Company is, to a significant extent, attributable to the existing management team who have joined our Group since 2013. In addition, Mr. Choi, one of our executive Directors, initiated the introduction of brokerage services of SGX derivatives products and delivered by our licensed brokers collectively to our Group's customers, which contributed approximately HK\$7.4 million, HK\$11.7 million and HK\$8.0 million to the total revenue for each of the three years ended 31 March 2016, 2017 and 2018, representing approximately 12.2%, 19.5% and 10.5% of the total revenue, respectively.

With their experiences, knowledge and extensive network, our Directors believe our Group will be able to continue to provide reliable, efficient and professional brokerage services to our customers. Our Directors also believe that our Group will be able to respond to the rapidly changing market conditions that continuously affect our business operations.

Please refer to the section headed "Directors and senior management" in this document for further details of the experience and qualifications of our Group's management team.

### **Extensive customer network and quality services as an interdealer broker in the derivatives market**

Our Group has established an extensive customer network which is comprised of renowned global investment banks and active market makers in Hong Kong. Many of them have already established stable relationships with our Group. Our Directors believe our extensive customer network is one of our key strengths, as our customers rely on our extensive customer network to access better liquidity so as to complete their trades. Our Group places great emphasis on maintaining good relationships with our customers by providing them with quality and timely services. Our Directors believe that, through the last four years of business operations, our Group has established ourselves as a reputable and trusted interdealer broker in the derivatives market in Hong Kong.

### **Diversified background of our licensed brokers**

As at the Latest Practicable Date, our broking team consisted of twelve Licensed Representatives and three Responsible Officers. Among the twelve Licensed Representatives who are our licensed brokers, two are native Korean, three are native French, one is native British and the rest of them are Chinese. The diversified cultural background and language skills of our licensed brokers have enabled them to

## BUSINESS

communicate and cultivate relationships with dealers of our customers who are from various countries, and thus give us an edge over our competitors to retain and attract customers. In particular, our Korean licensed brokers have been responsible for dealing with Korean-speaking dealers. Our Directors are confident that they would be an invaluable asset to us when our Group expands our business to OTC KOSPI 200 derivatives market.

### OUR BUSINESS STRATEGIES

Our Group intends to further strengthen our position as an interdealer broker in Hong Kong. Our Group plans to continue expanding our customer network in Hong Kong and enhance our competitive strengths to further expand our market share. Our Group will continue to strengthen our derivatives brokerage business through expanding our product coverage. Our business strategies are detailed as follows:

#### **To apply for becoming a Clearing Participant**

Due to regulatory requirements, clearing of trades on the HKEx must be carried out by a registered clearer. During the Track Record Period, our Group relied on external clearing brokers to provide clearing services to our trade orders completed in our daily operation.

Our clearing fees paid to clearing brokers for the provision of clearing services is also the largest part of our other operating expenses which amounted to approximately HK\$5.5 million, HK\$6.4 million and HK\$5.4 million, and approximately 36.1%, 36.1%, and 32.6% of our other operating expenses for each of the three years ended 31 March 2016, 31 March 2017, and 31 March 2018, respectively.

During the Track Record Period, our Group recorded a one-off short business disruption caused by Service Provider A, a General Clearing Participant then engaged by De Riva. The right of De Riva to access the HKATS was suspended and therefore De Riva was not allowed to directly execute trade orders on the HKFE in the afternoon session on 23 December 2015 as a result of not having a valid agreement with a General Clearing Participant to clear the trade orders for us. As a non-clearing participant of HKCC, De Riva is required to engage a General Clearing Participant who is legitimate to access HKATS, execute and clear De Riva's futures and options trade orders on behalf of De Riva. Since Service Provider A, De Riva's then clearing broker, erroneously submitted a notification of termination of clearing agreement on 23 December 2015, De Riva's access to the HKATS was therefore suspended during the afternoon trading session on 23 December 2015 pursuant to HKFE Rule 530(b). De Riva immediately contacted the HKFE in the afternoon of 23 December 2015 and explained that such termination of clearing agreement was an error submission from Service Provider A. After that, a notification of execution of clearing agreement was submitted to the HKFE to re-confirm Service Provider A would act as De Riva's General Clearing Participant. Subsequently, such suspension was lifted on 24 December 2015. During the period of the suspension, De Riva was able to execute trade orders for our customers through another service provider, who is a Futures Commission Merchant and was able to trade for the account of other HKFE Exchange Participants.



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Although such temporary suspension did not cause any material disruption to De Riva's business operations and had no material impact on De Riva's results of operations and financial status, our Directors consider that it is necessary for us to have better control on our daily business operations, in particular, to have our own clearing capability.

Currently, our Group engages Service Provider B to provide clearing services for our Group's customers, and in this connection, Service Provider B makes available to our Group a credit facility of EUR2.5 million for margin financing purpose, on condition that our Group shall maintain a cash deposit of HK\$4 million with Service Provider B. The Group knew Service Provider B through the list of HKCC General Clearing Participants published on the HKEx website. The Directors subsequently approached Service Provider B through publicly available information on the internet and decided to replace Service Provider A with Service Provider B as our Directors are of the view that Service Provider B provides better trade execution and trade reporting services to our Group. Our Group intends to apply for becoming a Clearing Participant in the year ending 31 March 2020. If and when our Group becomes a Clearing Participant, our Group will have to source and obtain a replacement credit or banking facility for its business, and such credit or banking facility is expected to be at a similar amount as the current one provided by Service Provider B. Our Directors are of the view that it is reasonable to expect that the bank may require a cash deposit as pledge, and may benchmark the expected cash pledge against the cash deposit made with Service Provider B for the level of cash flow that our Group would require for it to operate its clearing functions in its ordinary course of business after De Riva becoming a Clearing Participant. Our Group therefore intends to apply approximately HK\$4.0 million of the [REDACTED] from the [REDACTED] to finance the estimated need of cash flow for acting as a Clearing Participant. This HK\$4.0 million is based on the aforementioned estimation and is not a regulatory requirement.

Our Directors believe that becoming a Clearing Participant will significantly lower our cost of business and allow our Group to have a better control on the daily operation.

De Riva plans to apply for becoming a Clearing Participant, which would provide our Group with ability to directly clear trade orders executed by ourselves on the HKEx. Our Directors believe that our Group will therefore be able to (i) save a significant amount of clearing cost attributable to our daily operations and thence enhance our overall profitability; and (ii) more importantly, have a better control on our daily clearing procedures.

### **To expand our OTC product coverage**

Our Group intends to expand our product coverage to our customers including OTC Eurex MSCI derivatives market and OTC KOSPI 200 derivatives market. Our Group intends to recruit competent licensed brokers for the business development of OTC Eurex MSCI derivatives products.

The Eurex introduced MSCI derivatives in 2008 and as of 2017, has a repertoire of 88 futures products and 19 options products related to MSCI. These derivatives products covered different markets or regions in the world. The development of MSCI derivatives listed on the Eurex has experienced a rapid growth since 2014. For the first three quarters

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of 2017, approximately 8.5 million contracts of MSCI derivatives were traded on the Eurex, which represents a 180% increase when compared with the same period of the previous year.

The business development of OTC KOSPI 200 derivatives market will be operated by Mr. Ng, one of our executive Directors. Mr. Ng currently participates in managing and overseeing the operation of the broking team of listed Hong Kong derivatives products.

The Korea Exchange (KRX) is one of the largest derivatives marketplaces around the globe and its flagship product is KOSPI 200 options. In 2016, a total of 337 million KOSPI 200 options contracts were traded around the globe, making it the second most traded index options of the year. The KRX has an extensive sector coverage that spans from traditional blue-chip industries such as electronics, machinery, automobile, and oil refining, to high growth and future-oriented industries such as IT, semiconductors, biotechnology, and entertainment. The KRX enjoys global prominence with a steady growth of foreign investor holdings and continuous increase in terms of the absolute number of global investors as well as the diversity of their nationalities. Our Directors believe that there is great potential in the OTC KOSPI 200 derivatives market due to the growing interests of our customers, therefore the establishment of the OTC KOSPI 200 derivatives products matching services will provide opportunities for our Group to harvest the potential profits from providing such services to our customers who have been actively trading or have the intention to trade OTC KOSPI 200 derivatives products. Our Directors confirm we are not subject to any laws and regulations for providing matching services on OTC KOSPI 200 derivatives products as they would all be traded OTC. Our Group would only act as an agent to provide trade matching services for all OTC KOSPI 200 derivatives products.

Our Directors believe the abovementioned development will encourage the growth in our revenue as well as assist our Group to diversify our sources of revenue geographically.

### **To expand our office premises to accommodate the expansion of our business operations**

The head office of the Group moved into a bigger office premises in April 2018 to accommodate our expansion plan. As our business operation level would increase, there is necessity for upgrades of our infrastructure including the IT systems, backend servers, trading terminals and setups.

With the new office premises, our Group would be able to expand our trading desks together with the number of brokers and enhance our capability to increase our operation level and to bring in foreseeable increase to our Group's revenue.

Our business operation substantially relies on the stability and quality of the trading platforms employed. Therefore, our Group intends to invest in necessary IT infrastructures and our IT staff will be dedicated for the operation and maintenance of our computer system. Our Group will continue to monitor our investment in these infrastructures to ensure that our Group receives real-time market data for our customers and is able to implement real-time risk management, including the monitoring of abnormal transactions.

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Our Group intends to continue upgrading our trading support by taking the following measures:

- to enhance our backup systems, disaster recovery systems and data security in ensuring proper functioning of the trading system in case of individual device failure; and
- to review on a monthly basis by our Directors and senior management and where necessary, adjust our risk management system to prevent risks before occurrence.

### **To enhance the business development of the HKEx segment of our Group**

Our Group's employees are our most important assets in our business. Our success depends to a great extent on our ability to attract, incentivise and retain professionals and experienced personnels and our Group emphasises on recruiting competent and experienced professionals to continuously strengthen our competitiveness and presence in the market. In order to maintain and improve our competitiveness in the market, our Group intends to employ one senior licensed broker for the HKEx segment.

## **SUSTAINABILITY OF OUR BUSINESS**

Our Directors are of the view that our business is sustainable based on the following factors:

### **Continuous growth of market size**

The size of the derivatives brokerage industry in Hong Kong, in terms of brokerage fees income, is expected to continue to grow and such growth will in turn benefit our Group's future business development. According to the CIC Report, the derivatives brokerage industry in Hong Kong, in terms of brokerage fees income, is expected to grow at a CAGR of 9.8% from 2016 to 2022, and is believed to be driven by factors including the volatility in the global financial market and the development in Hong Kong's fund management industry. Please refer to the section headed "Industry overview" in this document for further details.

### **Our ability to grow**

Our Group's existing management (except Mr. Lau) all joined De Riva in 2013. Since then, our Group has been building up its customer base and endeavouring to develop itself as a top equity derivatives interdealer broker in Hong Kong. Our Group's growth and development within the relatively short period of operating history were mainly attributable to the efforts of our executive Directors, in particular, Mr. Choi, Mr. Ng, Mr. Lee and Mr. Fung, each of whom has over 10 years of working experience in the equity derivatives industry and his own established relationships with our customers. Our management has also been striving to widen our brokerage services provided to our customers. For instance, Mr. Choi, our executive Director, initiated the provision of brokerage services for SGX derivatives, which contributed approximately HK\$7.4 million, HK\$11.7 million and HK\$8.0 million to the total revenue for each of the three years ended

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31 March 2016, 2017, 2018, respectively. As part of our Group's future plan, our Directors target to expand our OTC derivatives coverage by introducing OTC KOSPI 200 derivatives products and Eurex MSCI derivatives products to our product categories.

Our ability to grow was also proven by our historical financial performance from the HKEx segment. For the three years ended 31 March 2016, 2017 and 2018, our revenue derived from HKEx segment recorded a CAGR of approximately 8.0%, which is above CAGR of total amount of brokerages fees from derivatives brokerage activities in Hong Kong of approximately 5.0% from approximately HK\$3.8 billion in 2015 to an estimation of approximately HK\$4.4 billion in 2017, according to the CIC Report. Although our revenue derived from HKEx segment decreased by approximately 8.3% for the year ended 31 March 2017, partly due to the reduction in commission rates charged to one of our major customers, its impact on our Group's revenue was able to be compensated by the increase in trading volume in the subsequent years. In particular, for the year ended 31 March 2018, our Group experienced an increase in the total trading volume by approximately 63.0%, which led to an increase in our revenue by 37.0%. Our Directors are of the view that the reduction in our commission rates to accommodate our customers' request is commercially sensible and ultimately beneficial to our Group. Meanwhile, as our other major customers did not make any further request for any revision of the pricing terms for the year ended 31 March 2018, and with reference to the industry expert's research result, we are of the view that our Group's pricing terms are in line with the market and sustainable.

### OUR BUSINESS

Our Group is an interdealer broker in Hong Kong providing derivatives brokerage services to Professional Investors. Our Group carries out our derivatives brokerage business through our wholly-owned subsidiary, De Riva, which is a licensed corporation under the SFO and a HKFE Exchange Participant. De Riva is licensed by the SFC to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities in Hong Kong for Professional Investors without providing any margin financing. Under the licensing condition, our Group can only provide services to Professional Investors.

Our customers are all Professional Investors as defined under the SFO, including investment banks, market makers and funds. As at 31 March 2016, 31 March 2017 and 31 March 2018, our Group had a total of 76, 78 and 85 customers, of which 50, 45 and 44 of them are active customers, respectively.

	As at 31 March		
	2016	2017	2018
Active customers <sup>(Note)</sup>	50	45	44
Inactive customers	26	33	41
Total customers	76	78	85

*Note:* For the purpose of this document, active customers are defined as customers who have traded through our Group in the previous 12 months.

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For the years ended 31 March 2016, 2017 and 2018, the number of our active customers were 50, 45 and 44, respectively, despite the number of our total customers increased from 76 as at 31 March 2016 to 78 as at 31 March 2017 and further increased to 85 as at 31 March 2018. The main reason for the decrease in the number of our active customers during the Track Record Period was our Group's decision to cease OTC commodities derivatives business during the year ended 31 March 2016 and the cessation of the derivatives trading department of three of our customers as a result of management decisions which the Directors understand from public available information.

For the year ended 31 March 2016, our Group's revenue from the OTC commodities derivatives brokerage was approximately HK\$65 thousand. Our Directors then decided to cease providing brokerage services for OTC commodities derivatives products, with the view that our customers were not particularly interested in trading OTC commodities derivatives given that the revenue contributed by the OTC commodities derivatives segment during the year ended 31 March 2016 was insignificant. Since then, as confirmed by our Directors, our Group did not provide brokerage services in OTC commodity derivatives and there was no revenue contributed from OTC commodity derivatives brokerage.

As an interdealer broker, our Group only provides brokerage services to Professional Investors. Also, during the Track Record Period, our Group did not possess or offer any self-developed online trading platforms to our customers. All trade orders are placed directly by our licensed brokers upon our customers' confirmations.

Our Directors believe that the major reason our customers would choose to trade through our Group is that our Group is able to source liquidity for our customers to match up a trade order. Through acting as a contact point among the potential trading parties, and continuously communicating with our customers through quoting prices and receiving trade orders, our Group would be able to facilitate information flow. This gives us an advantage over our customers in terms of our access to liquidity through our extensive customer network and is the major reason our customers would prefer to trade through our Group for efficiency purpose. Another reason our customers would choose to trade through our Group is that as an interdealer broker, our Group is able to provide anonymity and confidentiality for their interests before the trade orders are matched.

### OUR BROKERAGE SERVICES

During the Track Record Period, our Group provided brokerage services for both listed and non-listed derivatives. For listed derivatives products, the trade orders were either executed on the HKEx or the SGX. For non-listed derivatives products, the trade orders were all executed OTC. For all OTC trade orders, our Group acted as an agent to arrange for and match up trade orders, and our Group does not provide any execution, settlement or clearing services. The trading parties are directly responsible for all risks involved in OTC transactions.

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The table below sets out our revenue breakdown by channel of execution and methods of fee calculation:

	For the year ended 31 March											
	2016			2017						2018		
	<i>Fixed</i>		<i>Sub- total</i>	<i>Fixed</i>			<i>Fixed</i>					
	<i>per- centage</i>	<i>Fixed fee</i>		<i>per- centage</i>	<i>Sub- total</i>	<i>Fixed fee</i>	<i>per- centage</i>	<i>Sub- total</i>				
<i>Fixed fee</i>	<i>centage</i>	<i>total</i>	<i>Fixed fee</i>	<i>centage</i>	<i>total</i>	<i>Fixed fee</i>	<i>centage</i>	<i>total</i>	<i>Fixed fee</i>	<i>centage</i>	<i>total</i>	<i>%</i>
HK\$'000	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	HK\$'000	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000	%
HKEx	41,704	9,178	50,882	84.5	35,543	11,138	46,681	78.1	34,348	29,685	64,033	83.4
SGX	7,180	176	7,356	12.2	11,231	426	11,657	19.5	7,176	840	8,016	10.5
OTC	90	1,878	1,968	3.3	40	1,374	1,414	2.4	16	4,694	4,710	6.1
<b>Total</b>	<b>48,974</b>	<b>11,232</b>	<b>60,206</b>	<b>100.0</b>	<b>46,814</b>	<b>12,938</b>	<b>59,752</b>	<b>100.0</b>	<b>41,540</b>	<b>35,219</b>	<b>76,759</b>	<b>100.0</b>

### 1. HKEx

For each of the three years ended 31 March 2016, 2017 and 2018, our HKEx brokerage services generated revenue accounted for 84.5%, 78.1% and 83.4% of our total revenue, respectively. Our HKEx brokerage services covered mainly HKEx listed index futures and options and HKEx listed single stock options. For HKEx listed index futures and options, the trade orders are executed through the HKATS on the HKFE and cleared through the DCASS, a clearing and settlement system of the HKCC for trade orders of exchange-traded derivatives (except single stock options). For HKEx listed single stock options, the trade orders are executed through the HKATS on the SEHK and cleared through the DCASS system, a clearing and settlement system of the SEOCH.

The table below sets out the breakdown of number of contract of HKEx listed derivatives executed by our Group by methods of fee calculation during the Track Record Period:

	For the year ended 31 March		
	2016	2017	2018
	'000,000	'000,000	'000,000
Fixed fee	3.1	2.6	2.7
Fixed percentage	2.3	2.8	6.1
<b>Total</b>	<b>5.4</b>	<b>5.4</b>	<b>8.8</b>



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### 2. SGX

For each of the three years ended 31 March 2016, 2017 and 2018, our SGX brokerage services generated revenue accounted for 12.2%, 19.5% and 10.5% of our total revenue, respectively. Our SGX brokerage services covered mainly delta one products, including rolls on SGX FTSE China A50 Index Futures, MSCI Singapore Index Futures and MSCI Taiwan Index Futures.

Our SGX brokerage services are conducted through other execution brokers, as our Group did not hold any trading right or licence in Singapore. When executing a SGX trade order on behalf of our customers, our licensed brokers would place the trade order through our own client account under our execution brokers, who are licensed corporations that could provide trade execution services on the SGX. The trading positions will first be secured under our account and then transferred to our customer's account before clearance pursuant to a brokerage agreement, namely a give-up agreement, signed among the execution broker, the clearing broker and ourselves.

The table below sets out the breakdown of number of contract of SGX contracts by our Group by methods of fee calculation during the Track Record Period:

	<b>For the year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>'000,000</i>	<i>'000,000</i>	<i>'000,000</i>
Fixed fee	1.3	2.0	1.3
Fixed percentage	0.0	0.1	0.2
<b>Total</b>	<b>1.3</b>	<b>2.1</b>	<b>1.5</b>

During the Track Record Period, our SGX trade orders were generally executed through the SGX DT system and cleared through the SGX DC system.

### 3. OTC

For each of the three years ended 31 March 2016, 2017, and 2018, our OTC brokerage services generated revenue accounted for 3.3%, 2.4% and 6.1% of our total revenue, respectively. Our OTC brokerage services mainly covered index futures and options (with Hang Seng Index or Hang Seng China Enterprises Index as the underlying), and single stock options (with stocks listed in SEHK as the underlying), that were all non-listed derivatives.

Our OTC trade orders are settled in places other than formal and publicly recognised exchanges such as the HKEx and the SGX. The trading parties involved in the OTC transactions are usually exposed to counterparty risks. Counterparty risks refer to the risks that one of the contractual parties defaults or fails to perform its contractual obligations. During the Track Record Period, for all OTC transactions our Group dealt

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with, our Group acted only as an agent to arrange for and match up the trade orders between the trading parties. Our Group was not involved in any execution, settlement nor clearance process, and the trading parties were responsible for all the risks involved in the settlement and clearance process of the OTC transactions. Therefore, in general, our Group was not exposed to any counterparty risks for our OTC brokerage services.

The table below sets out the breakdown of number of contract of OTC contracts by our Group by methods of fee calculation during the Track Record Period:

	<b>For the year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>'000,000</i>	<i>'000,000</i>	<i>'000,000</i>
Fixed fee	0.0	0.2	0.0
Fixed percentage	<u>558.3</u>	<u>192.1</u>	<u>2,050</u>
<b>Total</b>	<b><u>558.3</u></b>	<b><u>192.3</u></b>	<b><u>2,050</u></b>

OTC derivatives contracts are usually larger in trading volume compared to listed derivatives contracts because for OTC derivatives contracts, the contract multiplier is usually assumed to be 1, while listed derivatives contracts usually have a contract multiplier larger than 1 depending on the underlying assets. Hence for listed and OTC derivatives contracts with the same underlying assets and notional value, the trading volume of OTC derivatives contracts would generally be much larger than that of listed derivatives contracts. For further details, please refer to the paragraph headed "Our pricing policy" in this section.

The table below sets out our revenue breakdown by major types of products during the Track Record Period:

	<b>For the year ended 31 March</b>					
	<b>2016</b>		<b>2017</b>		<b>2018</b>	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
HKEx listed futures and options <sup>(Note)</sup>	39,173	65.1	35,032	58.6	37,450	48.8
HKEx listed futures	7,290	12.1	7,750	13.0	11,399	14.8
Single stock options	4,419	7.3	3,899	6.5	15,184	19.8
SGX	7,356	12.2	11,657	19.5	8,016	10.5
OTC	<u>1,968</u>	<u>3.3</u>	<u>1,414</u>	<u>2.4</u>	<u>4,710</u>	<u>6.1</u>
<b>Total</b>	<b><u>60,206</u></b>	<b><u>100.0</u></b>	<b><u>59,752</u></b>	<b><u>100.0</u></b>	<b><u>76,759</u></b>	<b><u>100.0</u></b>

*Note:* Trade orders were placed, executed and charged as a combination of futures and options



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The table below sets out the breakdown of the number of contracts executed by our Group by major types of products during the Track Record Period:

	<b>For the year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>'000</i>	<i>'000</i>	<i>'000</i>
HKEx listed futures and options <sup>(Note)</sup>	2,827	2,941	3,284
HKEx listed futures	632	446	933
Single stock option	1,943	1,974	4,600
SGX	1,343	2,142	1,528
OTC	558,250	192,293	2,049,964

*Note:* Trade orders were placed, executed and charged as a combination of futures and options

The table below sets out the breakdown of average revenue per contract by major types of products of our Group during the Track Record Period:

	<b>For the year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
HKEx listed futures and options <sup>(Note)</sup>	13.9	11.9	11.4
HKEx listed futures	11.5	17.4	12.2
Single stock options	2.3	2.0	3.3
SGX	5.5	5.4	5.3
OTC	0.004	0.007	0.002

*Note:* Trade orders were placed, executed and charged as a combination of futures and options

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**Our major trade combinations**

During the Track Record Period, when our customers placed a trade order, the trade orders often involved a specific trade combination of index futures and options and/or single stock options, and are typically viewed as a single product by our customers in the derivatives market. Set out below are the trade combinations our Group commonly provided brokerage services for during the Track Record Period:

**Types of trade combination**

**Description**

**Pay-off diagram**

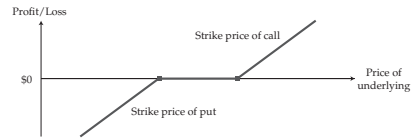
Calendar Spread

Sell a near month call or put and buy a far month call or put at the same strike

Not applicable

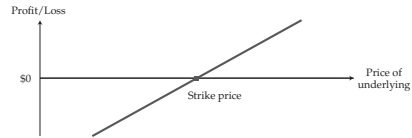
Risk Reversal

Buy a call and sell a put at different strike of the same maturity



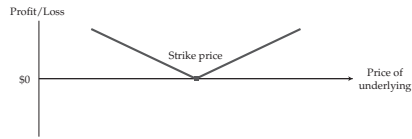
Synthetic Futures

Buy a call and sell a put at the same strike of the same maturity



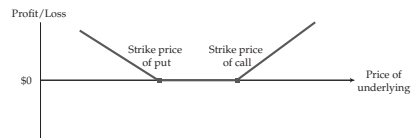
Straddle

Buy a call and a put at the same strike of the same maturity



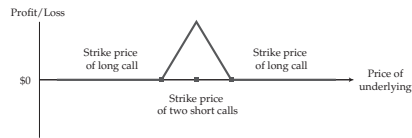
Strangle

Buy a put and buy a call at different strike of the same maturity



Call Butterfly

Buy a in-the-money call, sell two at-the-money calls at a same higher strike and buy a out-of-the-money call at an even higher strike. All options involved have to be of the same maturity



**BUSINESS**

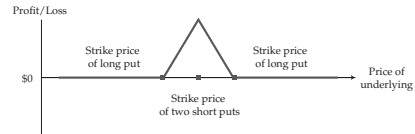
**Types of trade combination**

**Description**

**Pay-off diagram**

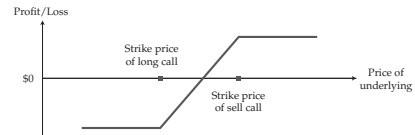
Put Butterfly

Buy a in-the-money put, sell two at-the-money puts at a same higher strike and buy a out-of-the-money put at an even lower strike. All options involved have to be of the same maturity



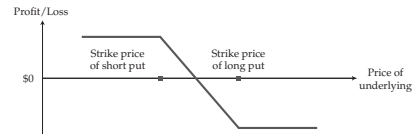
Call Spread

Buy a call and sell a call at different strike of the same maturity



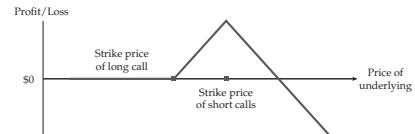
Put Spread

Buy a put and sell a put at different strike of the same maturity



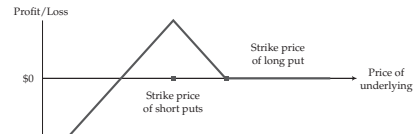
1 x 2 Ratio Call Spread

Buy a call and sell two calls at a different strike. All options involved have to be of the same maturity



1 x 2 Ratio Put Spread

Buy a put and sell two puts at different strike. All options involved have to be of the same maturity



During the Track Record Period, our Group separately set out commission rates for different trade combinations. For further details of our commission rates, please refer to the paragraph headed "Our pricing policy" in this section.

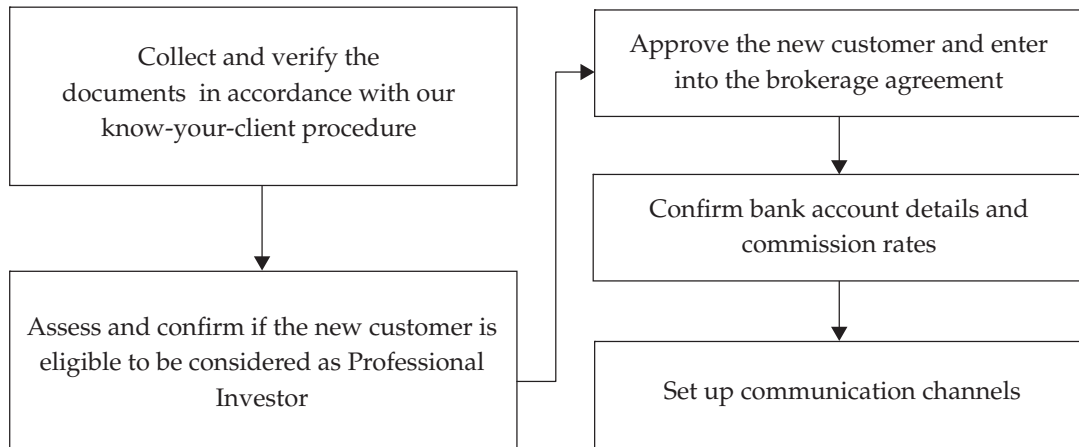
**OPERATING PROCEDURES**

Our Group's operating procedures include customer onboarding, trade matching and execution and settlement. Set out below is each of the procedures in detail.

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### Customer onboarding

The following flowchart illustrates our standard procedures when onboarding a new customer:



*Collect and verify the documents from the new customer in accordance with our know-your-client procedure*

When onboarding a new customer, our Group will collect documents from the potential customer, including but not limited to its incorporation documents, business registration documents, licensing documents, bank account details and contact information. Our compliance team will also ask for an authorised trader list from the new customer and discuss with its representative to understand the new customer's investment experience and objectives.

After collecting the required documents from the potential customer, our compliance team will independently review and verify the information provided to ensure all required details are sufficiently and accurately provided by the potential customer.

*Assess and confirm if the new customer is eligible to be considered as Professional Investor*

Due to our licence constraint, our Group is only able to provide services to Professional Investors. Therefore, before entering into a contract with the new customer, our Responsible Officers would conduct an assessment to ensure the potential customer is eligible to be considered as Professional Investors.

After the Responsible Officers conduct the assessment, our compliance team will issue a notification to the potential customer if the criteria of being considered as Professional Investor have been fulfilled. If the potential customer is successfully considered as a Professional Investor, our Responsible Officers will grant their approval to engage the new customer.

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If the potential customer is unable to fulfil the criteria set out for Professional Investors, our Group will notify the potential customer that our Group is not able to provide services to it due to our licence constraint.

### *Approve the new customer and enter into the brokerage agreement*

After confirming the new customer's eligibility to be treated as a Professional Investor, our Group will prepare the brokerage agreement for the new customer. Once the brokerage agreement is endorsed by both parties, pursuant to which our Group can provide the brokerage services to the new customer. For details of the terms of the brokerage agreement, please refer to the paragraph headed "General terms of the brokerage agreement with our customers" in this section.

### *Confirm payment details, bank account details and commission rates*

After entering into the brokerage agreement with the new customer, our finance department will collect the bank account details from and confirm the commission rates with the new customer. Some of these details may be directly included in the brokerage agreement depending on our customer's usual practice. The schedule of commission rates is usually separately signed and attached to the brokerage agreement.

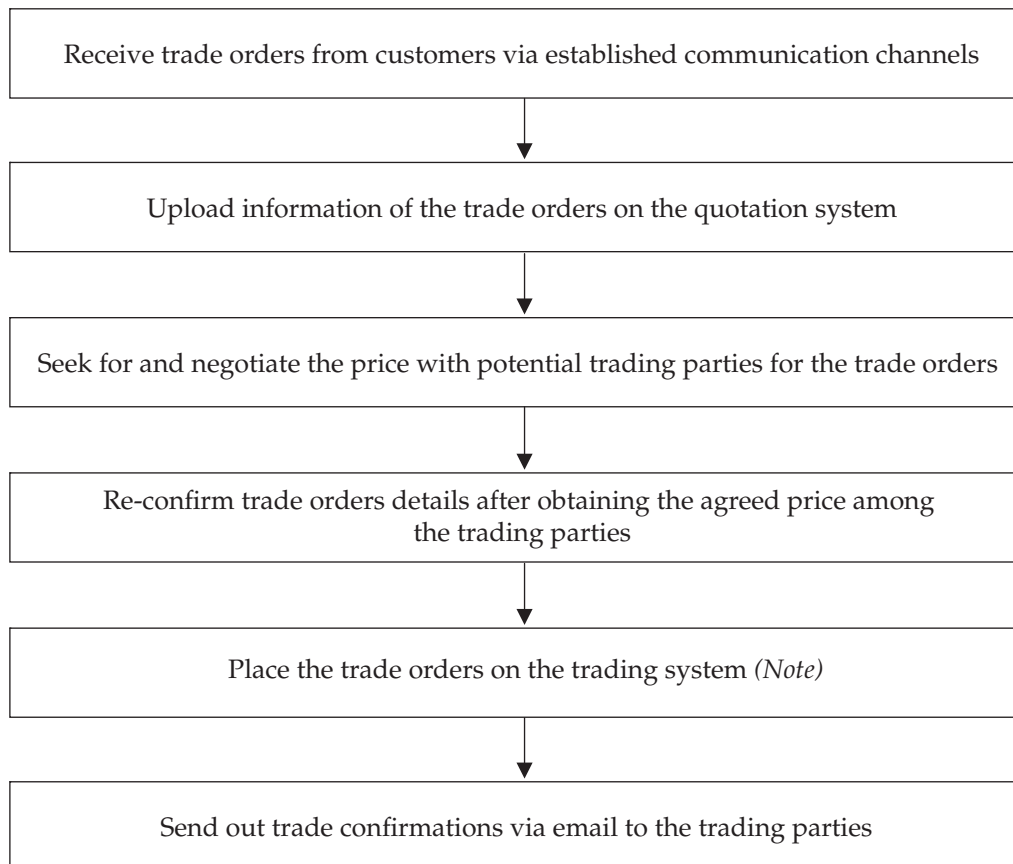
### *Set up communication channels*

After confirming all the details, our Directors would instruct our IT team to set up the communication channels specifically and distinctively for the new customer. Our Group has strict policy in place to require our licensed brokers to use only these designated channels for communicating trade order information with our customers, such as direct-lines set up to our customers' offices, a registered online chatroom service platform provided by Service Provider F, and emails. All of the communication records would be stored in our servers for record keeping purpose.

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### Matching and execution of trade orders

The following flowchart illustrates the matching and execution procedures of our trade orders:



*Note:* Only apply to trade orders for listed derivatives

As shown above, our trade orders matching and execution process comprises of a number of steps. When a trade order is received from our customers, our licensed brokers will promptly search for potential trading parties through our customer network to match up the trade order, and continuously liaise and negotiate among the potential trading parties until an agreed price and trading size are matched. After finalising the terms of the trade order, we will send out trade confirmations to the trading parties and execute the trade order.

The matching and execution process of trade orders as illustrated in the flow chart shown above does not apply to open trade orders which are directly placed on the online trading platform of the exchange. For these open trade orders, our licensed brokers directly place the open trade order on the online trading platform and the confirmation will be sent to our customers after the open trade orders are matched and executed on the trading system.

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During the Track Record Period, De Riva generally executed our HKEx futures and options trade orders directly on the HKATS through its own trading right (De Riva is currently a HKFE Exchange Participant). De Riva also has signed an agreement with another execution broker, who offered an online trade execution platform to De Riva for executing our HKEx futures and options trade orders. During the Track Record Period, part of our HKEx futures and options trade orders were executed through our execution broker using the online trade execution platform. The main reason for using an execution broker to execute HKEx futures and options trade orders is that the execution broker could provide us with an alternative source of trade order matching process.

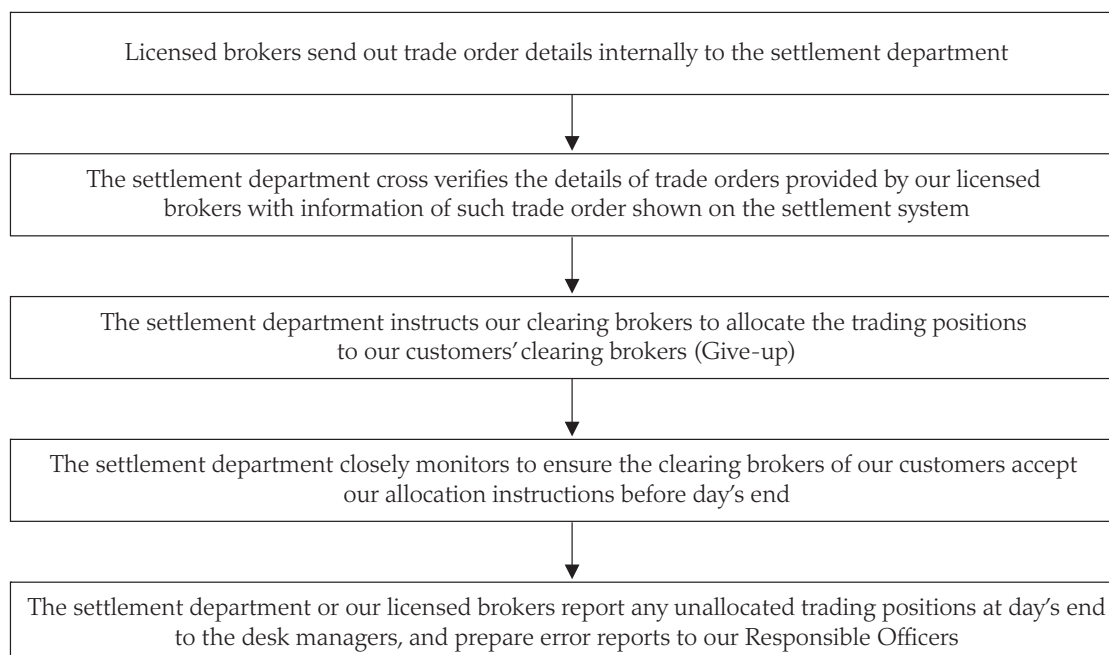
As for single stock options, during the Track Record Period, our Group executed all single stock options trade orders through our execution broker in Hong Kong.

For derivatives traded on the SGX, our Group executed the trade orders through our execution brokers who are licensed with the corresponding trading rights. For details of our execution brokers, please refer to the paragraph headed “Our services providers” under this section.

For derivatives traded OTC, our Group is not involved in any execution. De Riva purely acts as an agent to arrange for and match trade orders for the trading parties, and the trading parties are directly responsible for executing and settling the trade orders themselves.

### Settlement

After a trade order is executed, our settlement department will work closely with our licensed brokers to ensure all trade orders are properly recorded and efficiently handled. The following flowchart illustrates our settlement procedures:



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As shown above, our settlement department plays an important role in our risk control. After our licensed brokers execute the trade, our settlement department will cross verify the trade order details provided by our licensed brokers internally to ensure all trade orders are executed correctly. In cases of any execution error, our settlement department will immediately report the error to our licensed brokers who executed the trade, and such licensed brokers will rectify the errors after obtaining our desk manager's approval. Any profits or losses due to such errors will be reported to our desk managers at day's end and acknowledged by our Responsible Officers.

After verifying the trade order details, our settlement department will allocate the trading positions under our accounts to our customers. This allocation process is executed by our settlement department via a specialised clearing, matching and allocation system provided by our clearing brokers and/or execution brokers. Through this allocation system, our settlement department will closely monitor the clearing brokers of our customers to pick up our allocation orders such that the trading positions would be transferred to the account designated by our customers on the same day as the trade is executed. Our allocation orders are also automatically synced to the clearing and settlement system of the clearing house, who is responsible for collecting the payment and clearing the trades. After the clearing brokers of our customers confirm and accept our allocation orders, the trading positions will be transferred to our customers' designated account through the clearing and settlement system of the clearing house (i.e. give-up), and our customers will be responsible for settling the payment of the transactions.

### **Facilitation**

During the Track Record Period, when providing our brokerage services, some of the trade orders may have mismatches between the trading parties in terms of price and/or quantity. Our desk managers might approve to facilitate the trade order by filling in the mismatch on the condition that the facilitation cost could be acceptable by our Group and generally profit could be secured by the commission generated from the trade order. The major reason for providing facilitation services to our customers is to help our customers to complete their trade orders. Our Directors believe our facilitation service is important to our business as it improves our overall services quality and helps us maintain good relationships with our customers.

When facilitating trade orders of price mismatches, our licensed brokers would first calculate the amount of potential loss to be incurred, which is equivalent to the difference in the two prices placed by the trading parties, times the quantity of the trading positions involved plus any transactions fees incurred. The amount of potential loss will then be compared to the commission fees of such trade order, and after confirming that profits could still be retained, our licensed brokers will confirm the trade order with our customers and execute the trade.



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As for trade orders of quantity mismatches, to facilitate the trade order, our licensed brokers will have to acquire trading positions from the open market to fill in the mismatched quantity gap to fulfill the trading positions requested by one side of the trading party so as to fully match up the trade order. Prior to acquiring the trading positions from the open market, our licensed brokers will first look into the market price and estimate the amount of potential loss to be incurred, which is equivalent to the quantity of the trading positions to be acquired times the difference between our purchase price and our selling price to our customers, plus any transactions fees incurred. The loss will then be compared to the commission fees of such trade order, and after confirming that profits could be retained, our licensed brokers would confirm the trade order and immediately acquired the required trading positions from the market to directly fill in the trade order.

Due to the above, it is the general practice of our Group that, when facilitating a trade order, any trading positions directly taken up by our Group would be immediately closed out at a pre-determined price requested by our customers when the trade order is executed. As such, our Group in general has limited market risks exposure when facilitating a trade order as the facilitation costs are already acknowledged by our licensed brokers before the trade order is executed. However, if there is a substantial change in market conditions between the period we confirm the trade order and we execute the trade order, we might not be able to provide facilitation at the facilitation costs we had estimated. For further details, please refer to the section headed "Risk factors – Our profitability will be affected by any material market fluctuation during our facilitation process".

During the Track Record Period, our Group provided facilitations primarily to customers trading HKEx listed derivatives products. When deciding whether to facilitate a trade, our Group would in general take into account (i) our relationship with the customers; (ii) their previous trading volume with our Group; and (iii) whether our Group is able to immediately source an opposite party in the open market to close out the trading position. After completing the facilitation, our actual facilitation costs will be recorded in the error report, which may be different from the costs we estimated due to market volatility as mentioned. In addition, our Group does not facilitate OTC derivatives products as such facilitation would expose our Group to counterparty risks.

Since both error trades and facilitations were treated by our Group in the same manner in terms of the reporting procedures in the past, our Group did not specifically distinguish facilitations from error trades in our error control reports during most of the Track Record Period. Since 13 December 2017, our Group has implemented a control measure to distinguish between error trades and facilitations, details of which are set out in the paragraph headed "Internal control — Error trade" in this section.

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### SALES AND MARKETING

Our Directors consider that due to our proven track record and our established relationships with our existing customers, our Group is able to leverage on our existing customer base, reputation and our years of experience in derivatives brokerage in Hong Kong as an interdealer broker such that our Group does not rely heavily on marketing and promotional activities. Our licensed brokers are generally responsible for liaising and maintaining our relationships with our customers mainly through social events and keeping abreast of market developments and potential business opportunities.

### OUR CUSTOMERS

Our customers primarily consist of investment banks, market makers and funds.

The table below sets out our revenue breakdown by types of customers during the Track Record Period:

	For the year ended 31 March					
	2016		2017		2018	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Investment banks	46,788	77.7	44,528	74.5	60,545	78.9
Market makers	9,051	15.0	9,598	16.1	10,519	13.7
Funds	4,367	7.3	5,626	9.4	5,695	7.4
	<u>60,206</u>	<u>100.0</u>	<u>59,752</u>	<u>100.0</u>	<u>76,759</u>	<u>100.0</u>
Total	<u>60,206</u>	<u>100.0</u>	<u>59,752</u>	<u>100.0</u>	<u>76,759</u>	<u>100.0</u>

During the Track Record Period, our total number of customers slightly increased. The following table sets out the movement of the number of customers during the Track Record Period:

	As at 31 March		
	2016	2017	2018
Total customers maintained at the beginning of the period	57	76	78
New customers intake	19	5	7
Existing customers left or closed accounts	—	(3)	—
	<u>76</u>	<u>78</u>	<u>85</u>
<b>Total customers maintained at the end of the period</b>	<u>76</u>	<u>78</u>	<u>85</u>

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1. 36, 41 and 38 of our active customers as at 31 March 2016, 31 March 2017 and 31 March 2018 were existing customers, respectively, and among which 34 of them remained our active customers during the Track Record Period. These active customers collectively contributed approximately 94.9%, 99.8% and 98.2% of our total revenue for the respective periods; and
2. 14, 4 and 6 of our active customers as at 31 March 2016, 31 March 2017 and 31 March 2018 were new customers, respectively, who onboarded with De Riva within the immediately preceding financial year, and these customers contributed 5.1%, 0.2% and 1.8% of our total revenue for the respective periods.
3. 5, 1 and 1 of our new customers as at 31 March 2016, 2017 and 2018 were inactive customers who only signed engagement with the Group but did not trade or contributed to the total revenue of our Group during the corresponding periods.
4. For the purposes of this document, active customers are customers who have traded through our Group in previous 12 months.

### Our major customers

For each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018, our largest customer accounted for approximately 8.7%, 10.5% and 10.0% of our total turnover, respectively. Our five largest customers, in aggregate, accounted for approximately 35.9%, 41.0% and 46.1% of our total turnover, respectively.

Set out below is a breakdown of our revenue attributed by our five largest customers during the Track Record Period and their respective background information:

*For the year ended 31 March 2016*

Customer	Brokerage services provided	Approximate year(s) of business relationship	Credit term	Payment method	Revenue derived from the customer	
					HK\$'000	%
Customer A	HKEx/SGX/OTC	4	One month	Bank transfer	5,268	8.7
Customer B	HKEx/SGX/OTC	4	One month	Bank transfer	4,678	7.8
Customer C	HKEx/OTC	4	One month	Bank transfer	4,026	6.7
Customer D	HKEx/SGX/OTC	4	One month	Bank transfer	3,835	6.4
Customer E	HKEx/SGX/OTC	4	One month	Bank transfer	3,801	6.3
Five largest customers combined					21,608	35.9
All other customers					38,598	64.1
<b>Total</b>					<b>60,206</b>	<b>100.0</b>

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*For the year ended 31 March 2017*

Customer	Brokerage services provided	Approximate year(s) of business relationship	Credit term	Payment method	Revenue derived from the customer	
					HK\$'000	%
Customer B	HKEx/SGX/OTC	4	One month	Bank transfer	6,230	10.5
Customer D	HKEx/SGX/OTC	4	One month	Bank transfer	5,033	8.4
Customer E	HKEx/SGX/OTC	4	One month	Bank transfer	4,783	8.0
Customer C	HKEx/OTC	4	One month	Bank transfer	4,536	7.6
Customer F	HKEx/SGX	4	One month	Bank transfer	3,898	6.5
Five largest customers combined					24,480	41.0
All other customers					35,272	59.0
<b>Total</b>					<b>59,752</b>	<b>100.0</b>

*For the year ended 31 March 2018*

Customer	Brokerage services provided	Approximately year(s) of business relationship	Credit term	Payment method	Revenue derived from the customer	
					HK\$'000	%
Customer B	HKEx/SGX/OTC	4	One month	Bank transfer	7,688	10.0
Customer D	HKEx/SGX/OTC	4	One month	Bank transfer	7,609	9.9
Customer E	HKEx/SGX/OTC	4	One month	Bank transfer	7,134	9.3
Customer C	HKEx/SGX/OTC	4	One month	Bank transfer	6,847	8.9
Customer G	HKEx/SGX/OTC	4	One month	Bank transfer	6,123	8.0
Five largest customers combined					35,401	46.1
All other customers					41,358	53.9
<b>Total</b>					<b>76,759</b>	<b>100.0</b>

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Customer A includes various subsidiaries of a France-based group listed on the Euronext Paris and is principally engaged in providing financial services including, retail banking, corporate and investment banking, insurance, private banking and asset management, and offering a wide range of advisory services and tailored financial solutions to individual clients, large corporate and institutional investors, covering over 60 countries with headquarters in Paris. As per the 2017 annual report of the holding company of Customer A, it recorded a gross operating income of approximately EUR6.1 billion.

Customer B includes various subsidiaries of a group which is a global market maker focused on pricing, execution and risk management with offices in Chicago, Sydney, Shanghai, London, Taipei, and Hong Kong with headquarters in Amsterdam. As per the 2017 annual report of the holding company of Customer B, it recorded a trading income of approximately EUR1.1 billion.

Customer C is a subsidiary of a company listed on the New York Stock Exchange, which is a global investment banking, securities and investment management firm that provides a wide range of financial services to a client base that includes corporations, financial institutions, governments and individuals with headquarters in New York. As per the 2017 annual report of the holding company of Customer C, it recorded a net revenue of approximately USD32.1 billion.

Customer D includes various members of a group listed on the New York Stock Exchange, which is a global financial institution operating in more than 60 countries and providing investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing, and asset management with headquarters in New York. As per the 2017 annual report of the holding company of Customer D, it recorded a total net revenue of approximately USD99.6 billion.

Customer E is a subsidiary of a company listed on the HKEx, the London Stock Exchange, the New York Stock Exchange, the Paris Stock Exchange and the Bermuda Stock Exchange, which is a global banking and financial services organisation providing retail banking and wealth management, commercial banking, global banking and markets, and global private banking covering over 60 countries and territories in Europe, Asia, the Americas, the Middle East and North Africa, with headquarters in London. As per the 2017 annual report of the holding company of Customer E, it recorded a total operating income of approximately USD63.8 billion.

Customer F is a subsidiary of a company listed on the Tokyo Stock Exchange, the Nagoya Stock Exchange, and the New York Stock Exchange, which is a global investment bank with an integrated network, serving the needs of individuals, institutions, corporates and governments through three segments including, retail, asset management and wholesale, covering 30 countries with headquarters in Tokyo. As per the 2017 annual report of the holding company of Customer F, it recorded a net revenue of approximately JPY1,403.2 billion.

Customer G is a subsidiary of a company listed on the SIX Swiss Exchange and the New York Stock Exchange, which mainly serves its clients through offering

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comprehensive advice and a wide range of financial solutions to private, corporate and institutional clients, and delivering integrated advisory services and solutions to ultra-high-net-worth, entrepreneur and corporate clients, with operations in about 50 countries and more than 46,000 employees from over 150 different nations with its headquarters in Switzerland. As per the 2017 annual report of the holding company of Customer G, it recorded a net revenue of approximately CHF21.8 billion.

Mr. Lau, one of our executive Directors, joined De Riva as a managing director in June 2017. Before joining De Riva, Mr. Lau worked for Customer C from July 2001 to February 2016 with the last held position as managing director of the securities division. Mr. Lau has more than fifteen years of experience in derivatives trading, and did place and execute trade orders of derivatives through De Riva as an authorised trader when he was working for Customer C.

For the year ended 31 March 2016, 2017 and 2018, the revenue of our Group contributed by Customer C were approximately HK\$4.0 million, HK\$4.5 million and HK\$6.8 million, which represented approximately 6.7%, 7.6% and 8.9% of our Group's total revenue, respectively. Despite the fact that the revenue from Customer C increased by approximately 51.1% from the year ended 31 March 2017 to the year ended 31 March 2018, our Directors are of the view that such increase in revenue was not particularly related to the joining of Mr. Lau as our other top customers such as Customer D and Customer E also recorded similar percentage increase in revenue during the same period, being 52.0% for Customer D and 47.9% for Customer E, respectively. Our Directors are of the view that our Group has developed a very good business relationship with Customer C, as our Group first started our business relationship with Customer C in 2010 by signing a give-up agreement and the existing management continued the business relationship with Customer C in 2013. Mr. Lau also confirms that he was not involved in our Group's engagement with Customer C for the provision of derivatives brokerage services in 2010. Our Directors consider that Mr. Lau is not responsible for the front line operation at our trading desks nor would he manage our trading with Customer C directly, the joining of Mr. Lau would not and did not have any material impact on either our Group's relationship with Customer C or the revenue attributable to Customer C in the future. For more details of Mr. Lau, please refer to the section headed "Directors and senior management" in this document.

Save as disclosed above, all of our Group's top five customers during the Track Record Period are Independent Third Parties. Our Directors confirm that, to the best of their knowledge and after making reasonable enquiries, none of our Directors, their respective close associates or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our Company's issued share capital as at the Latest Practicable Date, has any interest (direct or indirect) in any of our five largest customers during the Track Record Period.

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### General terms of the brokerage agreement with our customers

The main terms of agreements entered into between De Riva and our customers were generally standard and prepared in consultation with the FIA, FOA and MFA. Contract terms of the agreements normally include such terms as customer's authorisation for brokers to execute trade orders on their behalf, commission rate, billing method and termination conditions. A summary of the key terms of our brokerage agreements are summarised below:

#### *Trade order execution authorisation*

Customers authorise De Riva to execute trade orders for them as transmitted orally, in writing or through an electronic order facility.

#### *Settlement and clearance authorisation*

Customers authorise the clearing broker to clear all trade orders executed by and transmitted from De Riva.

#### *Commission rate*

The commission rate (i.e. brokerage fee) to be received by De Riva for its services is determined either based on the number of contracts traded or the notional value traded.

#### *Billing method*

De Riva generally bills commissions per contract as specified in the addendum or rate schedule in the brokerage agreement on a monthly basis.

#### *Responsibility of contracting parties*

Customers are responsible for accurate and valid placement of their trade orders, whether orally, in writing or through an electronic order facility.

The main responsibility of De Riva involves cross verifying that all trade orders are placed and executed by us upon the request and authorisation of our customers. In addition, De Riva is responsible for confirming the terms of the trade orders with our customers if customary and practicable upon the placement of the trade orders; accurate execution of the trade orders; and transmitting executed orders to the clearing broker as soon as practicable, but in no event later than the period mandated by exchange or clearing house rules on which they are executed (if any).

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### *Contractual period and termination*

The brokerage agreements with our customers in general do not contain a specified contractual period. Therefore, our brokerage services would normally continue unless our customers confirm with us the termination of the agreement through prior written notice.

During the Track Record Period and up to the Latest Practicable Date, our Group did not have any material disagreements with our customers over the commission rate, the credit terms or the amount payables.

### COMPETITIVE LANDSCAPE

According to the CIC Report, between 2012 and 2016, the market size of the derivatives brokering industry in terms of brokerage fees income in Hong Kong increased from HK\$2.5 billion to HK\$4.1 billion at a CAGR of 13.3%. Further, due to the volatility of base financial tools, limitation and turbulence of the mainland's security market, increase in wealthy investors and promotion of market efficiency, the total market size of the derivatives brokerage industry is forecasted to reach HK\$7.1 billion in 2022 at a CAGR of 9.8% from 2017.

As of June 2018, there were a total of 9 General Clearing Participants, 160 Clearing Participants, and 22 non-clearing participants on the HKFE with a type 2 licence issued by the SFC, of which 15 of them were providing broking services to external parties on derivatives contracts. The rest of the licensed corporations either were engaged only in proprietary trading or had ceased providing broking services.

The competition focuses in the industry in which our Group operates, including: (i) regulatory requirements; (ii) capital requirements; (iii) expertise knowledge; and (iv) IT infrastructure.

For further information regarding the competitive landscape of the industry in which our Group operates, please refer to the section headed "Industry overview" in this document.

### OUR PRICING POLICY

During the Track Record Period, our Group did not offer monthly-fixed-charge plans or commission ceiling plans to our customers. Our commissions charges were market rates arrived at after arm's length negotiations among our Group and our customers and taking into account the prevailing market prices and the complexity of the trade combinations we could source and execute or match for our customers.



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### Calculation methods and basis

There are two methods in calculating the fees for the trade orders we execute, which are (i) fixed fee per contract; and (ii) fixed percentage on the notional value traded. For fixed fee per contract, a fixed dollar amount is charged per futures and options contract. For fixed percentage on the notional value traded, the notional value is calculated based on the following equation:

$$\text{notional value} = Q \times C \times P$$

where

- (i) Q represents the trading volume (i.e. the number of the derivatives contracts traded);
- (ii) C represents the contract multiplier which varies for different types of derivatives contracts; and
- (iii) P represents the spot price of the underlying assets, which varies for different derivatives contracts and different trade combinations. For details of the major trade combinations we executed for our customers, please refer to the paragraph headed “Our brokerage services — Our major trade combinations” in this section.

### Pricing terms

The tables below set out the breakdown of the general pricing terms by type of products and fee types (i.e. fixed fee per contract or fixed percentage on the notional value traded during the Track Record Period).

#### *HKEx*

During the Track Record Period, the Hong Kong listed futures and options products were charged by either (i) fixed fee per contract or (ii) fixed percentage on notional value traded in Hong Kong dollars.

	<b>For the year ended 31 March</b>					
	<b>2016</b>		<b>2017</b>		<b>2018</b>	
	<i>min</i>	<i>max</i>	<i>min</i>	<i>max</i>	<i>min</i>	<i>max</i>
<b>Listed index futures and options</b>						
– per contract (HK\$)	5	50	5	50	5	50
– per notional (bps)	0.2	35	0.2	30	0.2	30
<b>Single stock options</b>						
– per notional (bps)	1	2	1	2	1	2

*Note:* The pricing terms can vary drastically between different products even for the same customer depending on factors including but not limited to the complexity of the structure and the maturity of the products.

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SGX

During the Track Record Period, the SGX futures products were charged by either (i) fixed fee per contract and (ii) fixed percentage on notional value traded in either USD or SGD.

	<b>For the year ended 31 March</b>					
	<b>2016</b>		<b>2017</b>		<b>2018</b>	
	<i>min</i>	<i>max</i>	<i>min</i>	<i>max</i>	<i>min</i>	<i>max</i>
<b>Listed futures (<i>Note</i>)</b>						
– per contract (USD)	0.25	1	0.25	1	0.2	1
– per notional (bps)	0.3	0.5	0.3	0.5	0.3	1

*Note:* all commission fees received in terms of SGD during the Track Record Period were converted to USD at market rate and were taken into account in this summary.

OTC

During the Track Record Period, the OTC products were charged by a fixed percentage of the notional value traded in Hong Kong dollars.

	<b>For the year ended 31 March</b>					
	<b>2016</b>		<b>2017</b>		<b>2018</b>	
	<i>min</i>	<i>max</i>	<i>min</i>	<i>max</i>	<i>min</i>	<i>max</i>
<b>OTC products</b>						
– per notional (bps)	0.25	2	0.25	2	0.2	2

Our Directors are of the view that the pricing terms of our Group were comparable to other market players in the industry.

*Factors affecting the pricing terms*

Our pricing terms are generally affected by (i) the type of underlying; (ii) the type of product (i.e. options, futures, etc.); (iii) the trade combinations; (iv) the maturities of the derivatives; and (v) the channel of execution (i.e. through exchange or OTC). In addition, commission rates also vary for different customers and are generally dependent on their years of relationship and levels of trading volume with our Group.

**Brokerage agreement**

In the brokerage agreement signed between De Riva and our customers, our customers would specify which calculation method to be used for each type of derivatives. Also, each type of derivatives would be specified with a separate commission rate. The commission rates also vary for the same type of derivatives across different markets.

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Besides type of derivatives, commission rates and calculation methods may also vary for different trade combinations, depending on our customers' requests on the brokerage agreement. As shown in the paragraph headed "Our brokerage services — Our major trade combinations" in this section, these trade combinations often involve a combination of index options, index futures, and/or single stock options with different trading positions, strike prices and expiration dates. As these specific trade combinations are typically viewed as a single product by our customers, our Group usually charges these trade combinations with a separate commission rate specified on our brokerage agreements with our customers.

Due to the above reasons, during the Track Record Period, our commission rates for each derivatives type varied significantly due to differences in the underlying market, the type of derivatives and the trade combinations.

Our customers may occasionally request us to provide a better offer such as lowering the brokerage commission rate offered by our Group. In consideration of whether to provide a better offer to our customers, our Group would in general take into account of (i) whether such customers will increase their orders to compensate the reduction of brokerage commission rate; (ii) the past level of business with such customers; and (iii) the prevailing market conditions and the competition environment. During the Track Record Period, our Group has lowered the brokerage commission rate for certain of our major customers and generally such reduction of brokerage commission rate has been able to be compensated by the increase in trading volume by such customers which resulted in a relatively stable revenue during our Track Record Period.

### OUR SERVICE PROVIDERS

Our Group does not have any major supplier due to our business nature. However, during the Track Record Period, our Group engaged various service providers to provide us with the services necessary for our business operations. Our top five service providers include clearing brokers, execution brokers, a market data vendor, and a network service provider.

For each of the three years ended 31 March 2016, 2017 and 2018, our largest service provider accounted for approximately 40.9%, 18.6% and 36.8% of our total other operating expenses respectively. Our five largest service providers, in aggregate, accounted for approximately 70.4%, 68.5% and 60.1% of our total other operating expenses respectively.

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Set out below is a breakdown of our other operating expenses by our five largest service providers during the Track Record Period and their respective background information:

*For the year ended 31 March 2016*

Service provider	Major services provided	Approximate year(s) of business relationship	Credit term	Payment method	Transaction amount	
					HK\$'000	%
Service Provider A	Clearing service	4	One month	Cheque	6,189	40.9
Service Provider D	Execution service	3	10 days/ 2 weeks	Telegraphic transfer/cheque	1,779	11.8
Service Provider F	A business terminal providing financial market information, and communication channels	4	28 days	Telegraphic transfer	1,725	11.4
Service Provider C	Execution service	4	One month	Telegraphic transfer	714	4.7
Service Provider G	Voice line	4	30 days	Cheque	<u>242</u>	<u>1.6</u>
Five largest service providers					10,649	70.4
All other service providers					<u>4,470</u>	<u>29.6</u>
<b>Total other operating expenses</b>					<b><u>15,119</u></b>	<b><u>100.0</u></b>

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*For the year ended 31 March 2017*

Service provider	Major services provided	Approximate year(s) of business relationship	Credit term	Payment method	Transaction amount	
					HK\$'000	%
Service Provider A	Clearing service	4	One month	Cheque	3,304	18.6
Service Provider B	Clearing service	1	N/A	Offset deposit account	3,149	17.7
Service Provider D	Execution service	3	10 days/ 2 weeks	Telegraphic transfer/cheque	2,312	13.0
Service Provider F	A business terminal providing financial market information, and communication channels	4	28 days	Telegraphic transfer	1,940	10.9
Service Provider C	Execution service	4	One month	Telegraphic transfer	1,478	8.3
Five largest service providers					12,183	68.5
All other service providers					5,595	31.5
<b>Total other operating expenses</b>					<b>17,778</b>	<b>100.0</b>

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*For the year ended 31 March 2018*

Service provider	Major services provided	Approximately year(s) of business relationship	Credit term	Payment method	Transaction amount	
					HK\$'000	%
Service Provider B	Clearing service	1	N/A	Offset deposit account	6,125	36.8
Service Provider F	A business terminal providing financial market information, and communication channels	4	28 days	Telegraphic transfer	1,944	11.7
Service Provider C	Execution service	4	One month	Telegraphic transfer	1,197	7.2
Service Provider D	Execution service	3	10 days/ 2 weeks	Telegraphic transfer	376	2.2
Service Provider G	Voice line	4	30 days	Cheque	<u>358</u>	<u>2.2</u>
Five largest service providers					10,000	60.1
All other service providers					<u>6,641</u>	<u>39.9</u>
<b>Total other operating expenses</b>					<b><u>16,641</u></b>	<b><u>100.0</u></b>

**A. Clearing brokers**

De Riva is a HKFE Exchange Participant without clearing participantship, and is required by the HKFE to appoint and outsource our clearing functions to a General Clearing Participant who acts as a clearing broker to provide clearing services to De Riva.

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During the Track Record Period, De Riva replaced its clearing broker (i.e. Service Provider A) once. As at the Latest Practicable Date, De Riva's clearing broker is Service Provider B. As confirmed by our Directors, the replacement of our clearing broker from Service Provider A to Service Provider B was due to better terms offered by Service Provider B. Set out below are the major terms of the service agreement with our clearing brokers:

### **Material terms of agreements with our clearing brokers**

De Riva has engaged two clearing brokers for two separate periods. Set out below are the major terms of the service agreements with our clearing brokers:

- (i) Scope of services: a specified scope of clearing and settlement services are agreed by the clearing broker to De Riva, which includes the give-up arrangement and the settlement and clearance process.
- (ii) Agreed fee: service fees are charged and calculated based on the number of contracts transacted through the clearing brokers. Such fee scale is generally agreed after arm's length negotiations.
- (iii) Termination: in general, our agreements with the clearing brokers shall continue to be valid unless the agreements are terminated. A typical agreement may be terminated by either party by giving the other party a prior written notice.
- (iv) Deposit: De Riva is contractually obliged by the agreement to pay and maintain a deposit of a specified level in the clearing broker's account as security. The clearing broker is authorised by the agreements to deduct from such deposit any loss, damages, costs, fees, or expenses resulting from or incurred in connection with the agreement. During the Track Record Period, the deposit maintained and paid by our Group to Service Provider A and Service Provider B were HK\$2,000,000 and HK\$4,000,000, respectively.

Our agreements with our clearing brokers generally do not contain any exclusivity clauses restricting them from providing services to their other clients.

During the Track Record Period, our Group paid our clearing brokers (i) clearing fees for settlement and clearance of trade orders on the HKEx; and (ii) exchange fees incurred by our clearing brokers for the error and facilitation of the trade orders. In addition, our Group also paid our clearing brokers to settle our any losses incurred by our clearing brokers on behalf of our Group as a result of our error trades or our facilitations of trade orders.

Service Provider A is a subsidiary of a company listed on the HKEx and the Shanghai Stock Exchange. Service Provider A engages in the provision of broking services of financial products. The fees paid to Service Provider A amounted to approximately HK\$6.2 million, HK\$3.3 million and nil for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively. In September 2016, De Riva has appointed

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Service Provider B as a replacement for the provision of clearing services previously provided by Service Provider A. During the Track Record Period, the fees paid by our Group to Service Provider A for the clearing service ranged from HK\$1.0 per lot to HK\$1.5 per lot, and the average fees paid by our Group to Service Provider A for the clearing service is approximately HK\$1.13 and HK\$1.5 per lot for the two years ended 31 March 2016 and 2017 respectively.

Service Provider B includes various subsidiaries of a company listed on the Euronext Amsterdam. Service Provider B engages in the provision of transaction processing, financial logistics and risk management. The fees paid to Service Provider B amounted to nil, approximately HK\$3.1 million and approximately HK\$6.1 million for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively. Service Provider B also provides us with a credit facility of EUR2.5 million by maintaining a deposit of HK\$4.0 million. During the Track Record Period, the facility has been fully utilised once and the fees paid by our Group to Service Provider B for the clearing service is HK\$1.0 per lot.

During the Track Record Period, our Directors confirm that none of our clearing brokers were our customers or have any signed brokerage agreement with us other than the abovementioned service agreements.

### **B. Execution brokers**

During the Track Record Period, De Riva has entered into arrangements with a number of execution brokers, including Service Provider C, Service Provider D and Service Provider E, in order to provide derivatives brokerage services for SGX listed derivatives and HKEx listed single stock options as De Riva does not have the relevant trading rights.

#### *Material terms of agreements with our execution brokers*

Our execution brokers agreed with De Riva to provide a range of trade orders execution services to our Group in accordance with the terms of their respective service agreements signed with De Riva. Set out below are the key terms of the service agreements:

- (i) **Scope of services:** a specified scope of trade execution services are agreed by the execution brokers to De Riva, which includes details of the trade order execution process, the give-up arrangement, the type of derivatives that are covered and the details of the electronic trading system supported by the execution broker.
- (ii) **Agreed fee:** a commission fee based on the number of contracts executed or the notional value traded is charged by the execution brokers on a monthly basis. Such fee scale is generally agreed after arm's length negotiations of our Group with the execution brokers. In addition, De Riva is responsible for any exchange fees and/or clearing house fees incurred in the trade order execution and/or settlement process.



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- (iii) Termination: in general, our agreements with the execution brokers shall continue to be valid unless the agreements are terminated. A typical agreement may be terminated by either party giving the other party a prior written notice.

Our agreements with our execution brokers generally do not contain any exclusivity clauses restricting them from providing services to their other clients.

During the Track Record Period, our Group paid our execution brokers clearing fees for the execution and settlement of the trade orders, and exchange fees incurred for our error trades and facilitations of the trade orders. Our Group also settled with our execution brokers the losses incurred by them on behalf of our Group as a result of our error trades or our facilitation of trade orders.

Service Provider C includes various members of a financial holding corporation listed on the Taiwan Stock Exchange, principally engaged in the provision of range of financial services including securities, derivatives and foreign exchange. Service Provider C provides us with the execution service of derivatives traded on the SGX. The fees paid to Service Provider C amounted to approximately HK\$0.7 million, HK\$1.5 million and HK\$1.2 million for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively. During the Track Record Period, the fees paid by our Group to Service Provider C for the clearing service is US\$0.4 per lot for Nikkei index products, US\$0.1 per lot for FTSE China A50 Index products, and US\$0.15 per lot for the other products.

Service Provider D is a subsidiary of a company principally engaged in the provision of clearing and settlement services to the clients which allow them to connect to and trade with derivatives markets in the world. Service Provider D provides us with the execution service of derivatives traded on the HKEx and SGX. The fees paid to Service Provider D amounted to approximately HK\$1.8 million, HK\$2.3 million and HK\$0.4 million for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively. During the Track Record Period, the fees paid by our Group to Service Provider D for the execution service of HKEx listed products is HK\$1.3 per lot plus a trading system fee of US\$0.36 per lot, and for the execution service of SGX listed products is US\$0.16 per lot plus trading system fee of US\$0.36 per lot.

Service Provider E is a subsidiary of an integrated financial services group listed on Bursa Malaysia Berhad and principally engaged in, among others, commercial banking, investment banking, stock broking, asset management. Service Provider E provides us with the execution service of single stock options traded on the SEHK. The fees paid to Service Provider E amounted to approximately HK\$102 thousand, HK\$91 thousand and HK\$331 thousand for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively. During the Track Record Period, the fees paid by our Group to Service Provider E for the execution service is 2% of the contracted value.

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During the Track Record Period, our Directors confirm that none of our execution brokers were our customers or have any signed brokerage agreement with us other than the abovementioned service agreements.

### C. Market data vendor

Service Provider F is our market data vendor who runs a specialised business network and business terminal in the financial industry, providing market news and real-time market data that enables our Group to provide market information required by our customers in a timely manner. It also provides a communication platform for our licensed brokers and our customers to directly communicate through a chatroom, which enables our licensed brokers to receive and communicate the details of trade orders with our customers quickly and easily. The fees paid to Service Provider F amounted to approximately HK\$1.7 million, HK\$1.9 million and HK\$1.9 million for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively.

Set out below are the key terms of the service agreements:

- (i) **Scope of service:** the service provider provides a terminal service access (including communications circuits and facilities) which could be used by De Riva at a specific equipment address on a subscription basis. The subscription to the terminal services may be used by only one permitted user through one or more access points. The terminal services shall be made available to De Riva by means of equipment provided by the service provider of authorised computers.
- (ii) **Rights and warranties:** the service provider shall have all rights with respect to the equipment, including but not limited to access, and De Riva shall have all obligations and responsibilities with respect to equipment and authorised computers generally.
- (iii) **Agreed fee:** the terminal and network services are charged at a monthly unit price per subscription account. In addition, installations, upgrades, removals, relocations, conversions, equipment modifications and other changes related to the services will be charged separately at specified rates.
- (iv) **Term:** the service agreement is of a term of two years and shall be automatically renewed for successive two-year periods unless De Riva or the service provider elects not to renew by giving not less than 60 days' prior written notice. Upon termination of the service agreement, the service recipient shall pay any applicable charges including a termination charge based on the balance of the term, and any other fees imposed on the service provider by the provider of any network access.

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### D. Network Services Provider

Service Provider G is a global network service provider who provides a private extranet to our Group that enables the communication and information exchange among our Group and our major customers through voice lines. For each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018, the fees paid to Service Provider G amounted to approximately HK\$242 thousand, HK\$342 thousand, and HK\$358 thousand.

Set out below are the key terms of the service agreements:

- (i) Scope of service: the service provider provides network services including the installation of the equipment for commissioning of voice applications, carrying out acceptance tests, and the maintenance and technical support of the network services.
- (ii) Rights and warranties: the service provider warrants it will provide the network services, the equipment and any other services provided under the service agreement with reasonable skill and care. De Riva is solely responsible for the content and security of any data or information which it sends or receives when using the network services. De Riva is also only permitted to use the equipment in connection with the network services and will not acquire any other rights in it. De Riva is also responsible for insuring the equipment.
- (iii) Agreed fee: a fixed charge per voice line is charged on a monthly basis.
- (iv) Term: the service agreement is of a term of 12 months and after the initial term it shall continue and be automatically renewed for periods of 12 months unless De Riva or the service provider terminates the agreement by giving 30 days' prior written notice.

During the Track Record Period and up to the Latest Practicable Date, save as the one-off short business disruption as set out in the paragraph headed "Our business strategies — To apply for becoming a Clearing Participant" in this section, our Group had not experienced any material disruption in using services provided by our top five service providers.

All of our Group's top five service providers during the Track Record Period are Independent Third Parties. Our Directors confirm that, to the best of their knowledge and after making reasonable enquiries, none of our Directors, their respective close associates, or any Shareholders who, to the knowledge of our Directors, owned more than 5% of our Company's issued share capital as at the Latest Practicable Date, has any interest (direct or indirect) in any of our Group's top five service providers during the Track Record Period.

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### DATA PROTECTION

Our Group has data protection policy in place which assigns different users with different levels of access according to their ranks and needs. Each user is required to keep its password confidential and reset of passwords will be enforced by the system for every 180 days.

Our Directors are responsible for reviewing the access authorities periodically and any changes in access rights must be approved by our Directors. Back-ups of all customers' transactions would be kept for at least seven years and stored at our offices and/or designated places outside our office premises.

### IT SYSTEM

Our Directors believe that our IT infrastructure is of fundamental importance to our operations as it provides essential functional support to our daily operations, customer management, and risk management.

Our IT system, equipment and software were developed and maintained by Independent Third Parties. Our Group places strong emphasis on monitoring and upgrading our IT equipment on a timely basis, and for this reason our Group has established an IT department of two staff who are responsible for:

- (i) **supporting our operations:** establishing and maintaining IT systems to facilitate the monitoring of our business operations including, without limitation, reviewing derivatives trading activities, and customer onboarding status and allocating employee authorisation levels for conducting such reviews;
- (ii) **monitoring our IT systems:** monitoring our IT systems in good working order through regular maintenance and repair checks, implementing measures to prevent malfunctions and providing resolutions when malfunctions occur, devising IT emergency and contingency plans as well as managing and carrying out necessary system upgrades;
- (iii) **internet safety and security:** safeguarding our IT facilities (including computer rooms, servers, operating systems and data centres) and devising measures to safeguard the integrity of our IT systems through the establishment of firewalls and other security measures; and
- (iv) **development and enhancement of the provision of our trading services:** work closely with our independent software vendor to develop and enhance the efficiency of our online trading platform, computer screen interface as well as features of the software used on our online trading platform (including those for retrieving market and trade information, execution of trade orders and enhancing internal control measures).

Our information system expenses were approximately HK\$2.2 million, HK\$2.4 million, and HK\$2.4 million for each of the three years ended 31 March 2016, 2017 and 2018, respectively.

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### INTERNAL CONTROL

Pursuant to the Code of Conduct, a licensed corporation should have internal control policies and measures in place to protect its operations, customers and other licensed or registered persons from financial loss arising from theft, fraud and other dishonest acts, professional misconduct or omissions. Our Group has an internal control system in place for the purpose of the compliance with the Code of Conduct.

Our Directors collect information on the changing regulatory requirements constantly by attending seminars and studying enforcement news of the regulatory bodies. Our Group also has policies and procedures such as employees dealing, segregation of duties, policies on conflict of interests, policies on account opening and dealing practices. Our Responsible Officers periodically review our internal policy to cope with new development of the relevant laws and regulations. Our compliance team and the operational teams discuss and evaluate the needs for improvement in our internal control system from time to time depending on the needs and conditions of the daily operation.

Under the supervision of Mr. Lau and Mr. Choi, our executive Directors, who are responsible for handling compliance matters, internal control standards are set and various control measures are monitored as implemented by each operational department and trading team. The experience and qualifications of Mr. Lau and Mr. Choi are set out in the section headed "Directors and senior management" in this document.

All other operational departments are responsible for the implementation of the internal control measures based on the established policies and procedures. Our Responsible Officers are responsible for overseeing the daily operations of these departments and ensuring that the internal control procedures are being duly implemented.

In preparation of the [REDACTED], we engaged an independent internal control adviser (the "Internal Control Adviser") in May 2017 to perform a review of our internal control system (the "Internal Control Review"). The work scope of the Internal Control Review included documentation, testing and assessment of our procedures, systems and controls in respect of our operations and corporate governance. Through an initial review during May 2017, our Internal Control Adviser identified certain findings in our internal control system. Our Internal Control Adviser also recommended certain measures to be implemented by us in order to further consolidate our internal control policy. Our Group implemented the measures to improve our internal control system with reference to those recommendations. According to the results of the follow-up review performed by the Internal Control Adviser in October 2017, internal control measures for the key deficiencies have been adopted and implemented in accordance with the corresponding recommendations of the Internal Control Adviser, save for the measure in relation to error trade, for details please refer to section headed "Error trade" as below.

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Major findings and deficiencies were identified in the internal control review report. The recommendations made by the Internal Control Adviser and the remediation actions taken by our Group are set out in the following table:

Major findings and deficiencies	Recommendations	Remediation actions taken by the Group
<i>Maintenance of chart of accounts</i>		
<ul style="list-style-type: none"><li>The chart of accounts can be amended without written approval. Result of regular review has not been recorded to ascertain the appropriateness of the active accounts.</li></ul>	<ul style="list-style-type: none"><li>Written approval for initiation and modifications to the chart of accounts should be maintained.</li><li>Result of periodic review of the chart of accounts should be recorded.</li></ul>	<ul style="list-style-type: none"><li>Our Group has established and put into practice chart of accounts amendment form and the result of periodic review is properly recorded.</li><li>The procedure of maintenance of chart of accounts and regular review has been stipulated in operation manual.</li></ul>
<i>Error trade handling</i>		
<ul style="list-style-type: none"><li>There was a trading error which caused the loss of HK\$1.8 million in March 2016. One of the reasons was both licensed brokers and settlement department were not aware that the open trade order was executed on the trade reporting system on 24 March 2016 before the system was rebooted over the Easter holiday between 25 to 28 March 2016.</li></ul>	<ul style="list-style-type: none"><li>The procedures of handling the trade checking process should be clearly stipulated for staff to follow.</li><li>The licensed broker should double check the trade system if any open order placed overnight is executed in the morning of the following trade day; settlement department should check against the reporting of the trade system and confirm from the clearing broker and/or execution broker.</li><li>Surprise check should be carried out to ensure the operational procedure is effectively enforced</li></ul>	<ul style="list-style-type: none"><li>The operation manual has been updated and contained the procedures of handling the trade checking process. Also, the operation manual has been disseminated to the relevant staff to raise their awareness and remind them of the importance of such process.</li><li>The surprise checks have been conducted to ensure the operational procedure is effectively enforced by the relevant staff.</li></ul>

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<b>Major findings and deficiencies</b>	<b>Recommendations</b>	<b>Remediation actions taken by the Group</b>
<i>Payment authorisation</i>		
<ul style="list-style-type: none"> <li>• A single signature is allowed to execute the cheque payment regardless of the amount. Dual control is not established in this aspect.</li> </ul>	<ul style="list-style-type: none"> <li>• Payment approval matrix should be formulated to formalise the approving limits and respective authority for endorsing different activities.</li> <li>• Authorisation from two personnel is required to approve a payment.</li> </ul>	<ul style="list-style-type: none"> <li>• Payment approval matrix has been formulated with different approving limits and respective authority.</li> <li>• The dual approval procedure for cheque payment has been established. Two signatories are required to execute the cheque payment.</li> </ul>
<i>Information technology general control</i>		
<ul style="list-style-type: none"> <li>• There was no password set up for back up tape.</li> <li>• There was no business continuity planning and disaster recovery plan prepared for emergencies and disruptions of computer system.</li> </ul>	<ul style="list-style-type: none"> <li>• Effective password policy should be put in place for the backup of critical data.</li> <li>• There should be business continuity planning and disaster recovery plan of IT facilities.</li> </ul>	<ul style="list-style-type: none"> <li>• Our Group has enforced effective password in the backup tapes to ensure that information assets are adequately protected.</li> <li>• Our Group has defined the business continuity planning and disaster recovery plan of IT facilities.</li> </ul>

To further ensure our compliance with the relevant laws, rules, regulations, and codes in Hong Kong applicable to our business operation as a licensed corporation, our Group engaged an independent compliance service provider to review our compliance policy and provide compliance advices, on a timely basis, to our Directors and senior management.

### **Error Trade**

Our Group's errors trades are generally resulted from unintentional human errors, such as miscommunication between our licensed brokers and our customers on the trade order details or data input errors when executing trade orders. When our licensed brokers become aware of any error trade, they must immediately report the error trade to their respective desk manager and our compliance team, who will then record and rectify the error trades as soon as possible. The licensed broker responsible for the error trade has to fill in an error report describing the event, actions taken, amount of profit or loss sustained by our Group due to the error trades. The error report, along with all supporting



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documents, will be reviewed and signed by our Responsible Officers by the end of the trading day that the error trade takes place. The error trade will then be included as other overheads in the profit or loss account in the monthly return form of De Riva as a licensed corporation to the SFC during the Track Record Period.

Besides filing error reports, our Group also has measures in place to monitor the risk exposure of our error trades. In order to ensure all error trades are discovered and rectified in a timely manner, our Group's settlement team will check through all trade orders executed by our licensed brokers from time-to-time during trading hours and will only proceed to give-up the trade orders to our customers after confirming there is no error in that trade order. For trade orders executed through our execution brokers, our settlement team would also closely communicate with our execution brokers to ensure all trade orders executed are correct and are all given up to our customers such that there are no outstanding trade positions left over to our Group by the end of the trading day.

Since both error trades and facilitations were treated by our Group in the same manner in terms of the reporting procedures in the past, our Group did not specifically distinguish facilitations from error trades in the error control reports during most of the Track Record Period. After the commencement of the preparation for the [REDACTED], the management of De Riva became aware of the importance to distinguish between error expenses and facilitation expenses. Therefore, since 13 December 2017, our Group has implemented the new error report filings to separately present the amount of error trades and facilitation expenses incurred by our Group on a daily basis. Our management will also review the total amount of error trades on a regular basis and will review if further trainings are needed for our licensed brokers to ensure that they could minimise their errors in the execution of trade orders and communication with customers.

Our Group provides discretionary bonus to all of our licensed brokers to encourage their performances. The discretionary bonus paid to our licensed brokers are decided by the management with reference to our net profit for the corresponding period and would directly be affected by our costs incurred during the corresponding period including the cost of error trades. Therefore, our licensed brokers, as much as our Directors have always been emphasising, are very cautious about any error trade in the daily operation as that would directly affect their personal interests. Our Directors consider and the Sponsor concurs that this is an effective self-monitoring mechanism to minimise the level of error trades caused by our licensed brokers individually and collectively as well as the overall frequency and amount of error trades of our Group.

In addition to the newly implemented error report filing system which enables our Directors to identify each error trade in our daily operations a disciplinary system has also been implemented to further deter the happening of error trades. Our Directors was at their discretion, issue verbal or written warnings to licensed brokers who cause material or repeated error trades. Our Directors reserve the right to immediately terminate his/her employment if they consider the error made to be unacceptable. Our Directors believe and the Sponsor concurs that with the newly adopted disciplinary system, our licensed brokers would be more careful when matching and executing trade orders.



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All error trades are subject to reporting and approval requirements in order to allow the management to monitor the level of error trades on a daily basis effectively. The reporting and approval matrix is shown as below:

<b>Reporting and approval level</b>	<b>Amount (HK\$)</b>	<b>Reporting and approval(s) required</b>
Level 1	Below 10,000	<ul style="list-style-type: none"><li>• Desk manager</li></ul>
Level 2	10,001 – 50,000	<ul style="list-style-type: none"><li>• Executive Director; and</li><li>• Desk manager</li></ul>
Level 3	50,001 – 100,000	<ul style="list-style-type: none"><li>• Chief executive officer of our Group;</li><li>• Executive Director; and</li><li>• Desk manager</li></ul>
Level 4	100,001 and above	<ul style="list-style-type: none"><li>• Chairman of the Board;</li><li>• Chief executive officer of our Group;</li><li>• Executive Director; and</li><li>• Desk manager</li></ul>

If the total amount of the error trade is below or equal to HK\$10,000, the error trade is subject to level 1 reporting and approval requirement as shown above. If the error trade amount is between HK\$10,001 and HK\$50,000, the error trade is subject to level 2 reporting and approval requirement, under which additional reporting to and approval from our executive Director is required. Level 3 reporting and approval requirement will be triggered for error trades with an amount between HK\$50,001 and HK\$100,000, under which additional reporting to and approval from our chief executive officer is required. Level 4 reporting and approval requirement will be triggered for error trades with an amount of HK\$100,001 and above, under which additional reporting to and approval from the Chairman of the Board is required. After the reporting is made in accordance with the above matrix, our Directors who have granted the approval in the corresponding level should endorse the error report as our internal record.

Our management will review the total amount of error trades on a regular basis and may provide further trainings from time to time to our licensed brokers in order to minimise the likelihood of the happening of error trades.

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Set out below are the details of our Group's error expenses and facilitation expenses since the implementation of the new error report filings:

	<b>Error expenses</b> <i>HK\$'000</i> (unaudited)	<b>Facilitation expenses</b> <i>HK\$'000</i> (unaudited)
December 2017 ( <i>note</i> )	–	73
January 2018	7	150
February 2018	–	181
March 2018	159	131
April 2018	–	206
May 2018	75	96
June 2018 (up to the Latest Practicable Date)	–	24

*Note:* The new error report filings were put into practice on 13 December 2017.

Our error expenses amounted approximately HK\$159,000 in March 2018 was mainly attributable to an error trade amounting to approximately HK\$136,000. The error was caused by human input error of selling extra 217 Hang Seng Index Futures contracts. Once the error was identified, our licensed brokers closed the over sold position by buying equivalent quantity of Hang Seng Index Futures contracts in the market. Hence, a loss of approximately HK\$136,000 was resulted from the error trade.

Our error expenses amounted approximately HK\$75,000 in May 2018 was attributable to a human input error of quoting different index reference of Hang Seng China Enterprise Index to different clients and 60 contracts of Hang Seng China Enterprise Index Futures were traded with different index point. Hence, a loss of approximately HK\$75,000 was resulted from the error trade.

After the [REDACTED], for better corporate governance and the interests of our Group as well as our prospective shareholders, our Group will disclose the breakdown of the error expenses and facilitation expenses on a quarterly basis in our regular reports (including quarterly reports, interim reports and annual reports) to update our Shareholders.

*The HK\$1.8 million error trade*

During the Track Record Period, our Group identified one material error trade amounting to approximately HK\$1.8 million which adversely affected our profit in the Track Record Period. As confirmed by our Directors, the error trade incident was mainly due to miscommunication between our Group and our execution broker. Our Group was also responsible for the error trade as our licensed brokers failed to double check and verify if any open trade orders were executed by our execution broker overnight, and also failed to notify all executions to our customer and its clearing broker in a timely manner due to inadvertent oversight. The trade was an open trade order, being a trade order that is placed in the open market and remains in effect until it is canceled or executed when a

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counter party takes up the trade in the open market. Given the nature of this type of trades, no trade confirmations can be sent to the trading parties before the trade is executed. Therefore, there was not any trade confirmation sent to the customer before the execution of that trade.

Our Group received the error trade order in March 2016, which was an open trade order and contacted our execution broker, who placed the open trade order in the after-hours trading session of the same day. The open trade order was subsequently executed in the market overnight, and we and our customers were supposed to be notified by our licensed brokers about the execution and be allocated to our customer's account by our execution broker before the end of the trading session of the next trading day. However, the licensed broker responsible for such trade order carelessly rebooted the computer without confirming the number of executed and non-executed open trade orders, and failed to check whether there were any executed and non-executed open trade orders since last log-in as the interface showing the done deals were refreshed and all trade records were cleared before the last log-out. Furthermore, our then execution broker of such trade failed to notify us when the trade was executed. Therefore, it was impossible for the customer to take up the relevant trade position by the time we learnt about the execution of such trade order by our then execution broker and hence we had to take up the position ourselves and off load it gradually in the market which eventually led to the HK\$1.8 million material error trade.

Our Group was only notified by our execution broker two trading days after the open order had been executed that the executed trading positions remained unallocated to our customer. Our Group immediately contacted our customer to arrange for the settlement. However, as we did not notify our customer regarding the executed trade order in a timely manner, our customer refused to take up the trading positions. Our execution broker also denied the settlement obligation should be borne by them. As a result, our Group was eventually forced to take up the trading positions and settle all obligation in relation to the trading positions, which led to a material loss to our Group. To the best understanding of the Directors, neither our licensed broker nor the execution broker involved has been penalised by any regulatory bodies due to the incident up to the Latest Practicable Date.

In order to prevent the recurrence of similar incidents in the future, our Group has established and implemented the following procedures:

<b>Procedures</b>	<b>Implemented in</b>
i. stipulated the procedures of handling the trade checking process clearly in our operation manual and disseminated the operation manual to our licensed brokers and settlement department in order to raise their awareness and remind them of the importance of such procedures;	November 2017

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Procedures	Implemented in
ii. requested our licensed brokers to double check the status of the overnight trade orders in the morning of every trading day before trading hours;	October 2017
iii. requested our settlement department to make sure all information on the trade reports are correct by double checking with the trade orders and confirming with our clearing broker and/or execution broker; and	October 2017
iv. requested our licensed brokers to prepare a daily trading report for all trading allocation orders to our Group for our trade checking process.	October 2017
v. requested our licensed brokers to separately report error trades and facilitations on a daily basis with trade order details	December 2017

Since the implementation of the above procedures and up to the Latest Practicable Date, the amount of error trade incurred by De Riva during the period was approximately HK\$[241,000], which was caused by unintentional human errors, such as miscommunication between our licensed brokers and our customers on the trade order details or data input errors when executing trade orders.

Our Directors confirm that error trade at this level of materiality has only happened once during the Track Record Period and our daily business operations will be closely monitored by different levels of staff including our Licensed Representatives, our Responsible Officers, our settlement department and our executive Directors.

### Breach of Futures Trading Rules — Block Trade

Pursuant to Rule 815A(2A) of the Rules, Regulations and Procedures of the Futures Exchange ("HKFE Trading Rules"), the minimum volume threshold ("**Minimum Volume Threshold**") for a block trade ("**Block Trade**"), which means any trade executed via the block trade facility ("**Block Trade Facility**") (i.e. the function of HKATS as specified by the HKEx to be used for Block Trade execution) of stock index futures and stock index options is 100 contracts.

Pursuant to Rule 815(2A)(a) and (c) of the HKFE Trading Rules, an HKFE Exchange Participant cannot aggregate separate orders or combine separate orders to generate a spread or strategy combination Block Trade unless:

- (a) at least one of the separate orders from either side meets the Minimum Volume Threshold; and

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- (b) in the case of a spread or strategy combination, at least one of the separate orders comprising an option leg satisfies the applicable Minimum Volume Threshold.

During the Track Record Period, our Group breached the HKFE Trading Rules once on 14 September 2016 due to a human error in the execution of Block Trades. One of our licensed brokers received a trading order from a customer and immediately performed the matching of the order but mistook the trade order size of the trading party of the other side. Due to the mistake, the Block Trade order was executed with a trading volume below the Minimum Volume Threshold which led to the breach of Rule 815A(2A) of the HKFE Trading Rules.

Due to the incident, our Group subsequently received a letter from the HKEX on 16 November 2016 (the "**Letter**"), confirming that our Group was in breach of Rule 815(2A) of the HKFE Trading Rules for its block trade activities on 14 September 2016 as mentioned above. Accordingly, our Responsible Officers and Directors have (i) reminded all of our licensed brokers the requirements for a valid Block Trade as defined under Rule 815 of the HKFE Trading Rules; and (ii) reviewed and strengthened the dealing control procedure which included effective supervisory controls in order to prevent any possible misunderstanding between our licensed brokers and our settlement department in handling customers' orders, as recommended by the HKEx in the Letter, by segregation of duties. After a licensed broker prepares the trade ticket, two other licensed brokers will independently verify the details on the trade ticket before proceeding to the settlement of the trade order by the settlement department.

Upon our Group's enquiry with the HKEx, our Group received a letter from the HKEx on 26 October 2017, which confirmed our Group was not the subject of any HKFE disciplinary proceedings as at the date of the reply letter and that the HKEX considered the matter closed.

### **SFC inspection**

During the Track Record Period, SFC carried out an inspection in 2017 on De Riva and subsequently issued a letter to De Riva after the inspection. Comments were made in regard to De Riva's then internal control procedures. De Riva was required to take rectifying measures on the deficiencies as detailed below and respond to SFC in writing with the proposed remedial actions.

Set out below is the summary of the comments from the SFC and our rectification actions taken in respect of their comments:

- (i) *Providing services to professional investor*

De Riva provides brokerage services to Professional Investors. However, De Riva did not conduct proper assessment on our customers or maintain documentation of the same to demonstrate that those customers had met with the definition of Professional Investor;

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(ii) *Customer due diligence*

The SFC noted that De Riva had previously classified all institutional customers as Institutional Professional Investors and were eligible entities for the application of SDD. By doing so, De Riva could erroneously apply SDD on certain entities which are not eligible entities for the application of SDD as provided under Section 4(3) of Schedule 2 to the AMLO. In particular, the SFC noted that De Riva did not maintain audit trail to demonstrate the grounds to support the use of SDD on our customers; and

(iii) *Authorised trader list*

The SFC was given to understand that De Riva would receive trade orders via chatrooms established with our customers on certain terminals providing financial instant data and also via recorded phone lines. However, the SFC noted that De Riva had not taken reasonable measures to verify the identity of the person who would place orders on behalf of our customers.

To ensure our compliance in the future, De Riva established and implemented the following procedures:

<b>Procedures</b>	<b>Implemented in</b>
i. conduct reviews annually on each of our customers to ensure that they meet the necessary requirements under the Code of Conduct as Professional Investors;	November 2017
ii. adopted new control procedures for anti-money laundering and counter-terrorist financing checks for the application of SDD for Institutional Professional Investors with a checklist prepared in accordance with Paragraph 4.10.3 of the Anti-Money Laundering Guideline to check whether SDD can be applied to our customers and maintain a set of records for our easy reference;	August 2017
iii. requested our customers to provide an updated authorised trader list in accordance with Paragraph 1 of Part VII of the ICG for easy reference to our licensed brokers during daily business operations and maintained a database; and	August 2017
iv. updated our compliance and operation manuals and submitted the summary of our rectification measures mentioned above to the SFC.	November 2017

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De Riva received a letter from the SFC in November 2017 confirming that the SFC has no further comments in relation to their then enquiries on our business operations after the submission of our responses to them.

### **Key controls on our interdealer brokerage services**

#### *Client management*

Our Group will conduct an annual review on each customer and has established a Professional Investor assessment form as a checklist to record the information of asset adequacy test, customer information and assets proof as an audit trail to ensure all of our customers meet the definition of Professional Investor.

#### *Give-up*

Our Group has established detailed procedures for give-up arrangement in our operation manual. The procedures are reviewed, approved and updated by the management in accordance with the updated regulatory environment and market conditions.

#### *Employees dealing*

According to the Code of Conduct, a licensed corporation should have a policy which has been communicated to its employees in writing on whether its employees are permitted to deal or trade for their own accounts in securities, futures contracts or leveraged foreign exchange contracts, subject to a series of requirements including internal reporting to and monitoring by the senior management of the licensed corporation.

During the Track Record Period, our Group has adopted the following internal control policy to ensure that our Group and our employees are in compliance with the Code of Conduct:

- (i) our written policy specified the conditions on which employees may deal for their own accounts;
- (ii) employees are required to identify all related accounts which includes accounts of their minor children and accounts in which the employees hold beneficial interests and report them to the management;
- (iii) duplicate trade confirmations and statements of the employees' accounts are required to be filed to the management;
- (iv) any transactions for employees' accounts and related accounts are required to be separately recorded and clearly identified in our internal records; and

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- (v) transactions of employees' accounts and related accounts were required to be reported to and actively monitored by our Responsible Officers and the management who do not have any beneficial or other interest in the transactions and who are required to maintain procedures to detect irregularities and ensure that the handling by the licensed or registered person of these transactions or orders are not prejudicial to the interests of our customers.

There was not any financial dispute or breach of the Code of Conduct in our Group or among our employees in relation to employees dealing matters during the Track Record Period.

### *Record keeping*

A licensed corporation should keep, or cause to be kept, proper records on the design, development, deployment and operation of its electronic trading system as required in the Code of Conduct.

Our Directors review and update relevant procedures in our compliance manual to make sure it complies with the current regulatory requirements and request our staff to follow the compliance manual in order to make sure all records of our business operations are duly maintained including the performance of telephone record check. Our staff are also required to retain quotations and documents upon selection of new service providers such as clearing brokers and execution brokers.

### *Credit risk management*

Due to the characteristics of our pure brokerage of derivatives business where our Group did not provide margin financing to any of our customers, we were not subject to any material credit risk nor had we suffered from any loss induced by credit risk during the Track Record Period.

### *Liquidity risk management*

Pursuant to the Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong), De Riva is required to maintain at all times the liquid capital which is not less than the minimum requirement. Our accounting department is responsible for the preparation of the financial returns and the computation of liquid capital in accordance with the requirements under the FRR. Monthly financial returns were submitted to our Responsible Officers for their review and approval before submission to the SFC no later than the 21st calendar day of each month as required by the SFC. Our accounting department also conducted liquid capital computation on a daily basis which was reviewed by our Responsible Officers to ensure that our Group was able to comply with the FRR requirement on an ongoing basis.

During the Track Record Period, De Riva did not have any non-compliance with the minimum liquid capital requirement as required by the SFC.



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### Information technology policy

Our Group has established information technology policy which controls over our information technology infrastructure. Access controls are practiced so that access to our system are required to be authorised by our Directors. Password policies and standards are also in place to facilitate user authentication and access control. The computer system and information processing facilities of our Group are protected by firewalls and anti-virus softwares to prevent and detect any potential threats by computer viruses and other malicious softwares. Encryption is required when data is stored on portable devices.

To ensure the safety of our data assets, our Group has also established a backup system. Data in the file system is backed up at regular intervals. Our IT manager performs the backup and establishes an off-site archive simultaneously.

In order to maintain the safety and stability of our system and prevent system breakdown, control and safety measures have been implemented by our employees and monitored by our IT department and our Directors. Our Group also established business contingency plan and disaster recovery plan of our IT facilities and incorporated that in our internal operation manual to provide clear guideline for our staff to follow in order to continue their duties when disruption happens. Our IT manager would record and monitor the result of regular restoration test to ensure suitability of the business contingency plan and disaster recovery plan.

For hardware components of the trading system, we maintain the stock of hardware backup components to ensure any hardware failure can be recovered within a short period of time. Furthermore, our trading desks and settlement department are responsible for the close monitoring of the stability and performance of the trading system and, in case of any irregularities, the liaising with our IT department and/or trading system service providers for rectification immediately. Any software/hardware changes/upgrades in our system will be tested during off market period. Last but not the least, the log for our online trading system being accessed by our licensed brokers would be recorded. Both software and hardware firewalls are established for the online trading system to prevent and detect any potential threats from computer viruses and other malicious software.

Save as disclosed above in this section and based on public information available, our Directors and our independent compliance adviser, are not aware of any other comments from the SFC regarding our internal control policies and procedures in connection with our business operations up to the Latest Practicable Date. The Internal Control Adviser conducted a follow-up review in December 2017 and assessed the implementation of the internal control measures recommended by the Internal Control Adviser. Based on the follow-up review of the Internal Control Adviser, the deficiencies in relation to error trade have been rectified. The Sponsor has reviewed the internal control recommendations made by the Internal Control Adviser, the responses and remediation actions taken by our Group and has discussed with the Internal Control Adviser on its follow up review. Based on the independent work performed by Internal Control Adviser, our Group have implemented all major internal control measures recommended. No material deficiencies were identified during the follow-up review in relation to error trade. The Sponsor, after considering the above, concurs with the views of our Directors

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that the remediation actions taken by our Group are effective and adequate to address the deficiencies identified in the internal control review including the control on error trades.

### ANTI-MONEY LAUNDERING AND COUNTER-TERRORIST FINANCING

In order to detect and prevent money laundering and counter-terrorist financing activities timely, our Group has established internal control policy specifically on the anti-money laundering and counter-terrorist financing matters to ensure compliance with the regulatory requirements as regulated by the AMLO.

#### *Customer due diligence*

Our employees are required to identify and verify the identities of each of our customers with reference to data or information available from reliable and independent sources.

Pursuant to Section 4 of Schedule 2 to the AMLO, a licensed corporation may carry out simplified customer due diligence in relation to a customer if it has reasonable grounds to believe that the customer is:

- a. a financial institution;
- b. an institution that
  - (i) is incorporated or established in an equivalent jurisdiction;
  - (ii) carries on a business similar to that carried on by a financial institution;
  - (iii) has measures in place to ensure compliance with requirements similar to those imposed under Schedule 2 of the AMLO; and
  - (iv) is supervised for compliance with those requirements by an authority in that jurisdiction that performs functions similar to those of any of the relevant authorities;
- c. a corporation listed on any stock exchange;
- d. an investment vehicle where the person responsible for carrying out measures that are similar to the customer due diligence measures in relation to all the investors of the investment vehicle is
  - (i) a financial institution;

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- (ii) an institution that
  - (A) is incorporated or established in Hong Kong;
  - (B) has measures in place to ensure compliance with requirements similar to those imposed under Schedule 2 of the AMLO; and
  - (C) is supervised for compliance with those requirements; or
- (iii) an institution that
  - (A) is incorporated or established in an equivalent jurisdiction;
  - (B) has measures in place to ensure compliance with requirements similar to those imposed under Schedule 2 of the AMLO; and
  - (C) is supervised for compliance with those requirements;
- e. the Government or any public body in Hong Kong; or
- f. the government of an equivalent jurisdiction or a body in an equivalent jurisdiction that performs functions similar to those of a public body.

We have set up control procedures and checklist according to the Anti-Money Laundering Guideline to check on a new customer as to whether such customer is eligible for the application of simplified customer due diligence.

*On-going monitoring*

Our Directors review documents, data and information relating to our customers from time to time in order to monitor activities of our customers and identify unusual transactions. A transaction is considered to be unusual if the transaction involves suspicious and/or sophisticated manipulation, which constitutes a series of transactions which are not commercially sensible and/or the customer's trading instructions deviate significantly from its past trading pattern.

Our desk managers and Responsible Officers are responsible for the on-going monitoring.

*Suspicious transaction or source of funding reporting*

All employees in our Group are required to report any suspicious trades or events to our Directors at once as stated in our internal control manual. In case of a suspicious transaction or source of funding located, our compliance team will file reports to the Joint Financial Intelligence Unit as soon as practicable after preliminary investigation.

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### *Record keeping*

Our Group records sufficient data and information to trace individual transactions and establish a financial profile of any suspicious account or customer. Our Directors confirm that all of the records would be kept for at least seven years.

During the Track Record Period, we were not aware of any customers or transactions which were suspicious in relation to money laundering and terrorist financing activities.

### LEGAL PROCEEDINGS

Our Directors confirm that, as at the Latest Practicable Date, our Group was not subject to any actual litigation, arbitration proceedings or claim of material importance and was not aware of any litigation, arbitration proceedings or claim of material importance pending or threatening against any member of our Group or any of our Directors, that would have material adverse effect on our Group's financial condition.

### NON-COMPLIANCE

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no material impact non-compliance or systemic non-compliance in respect of any applicable laws and regulations in Hong Kong.

### REGULATIONS, LICENCES AND TRADING RIGHTS

The securities and futures market in Hong Kong is highly regulated. The principal regulatory bodies governing our business are the SFC and the HKEx Group. Our business and our staff carrying out regulated activities are subject to laws and regulations as well as rules, codes and guidelines issued by the SFC and the HKEx Group, respectively.

The table below sets out relevant licences and trading rights held by our Group as at the Latest Practicable Date:

<b>Types of licences and trading rights</b>	<b>Effective period</b>
Type 1 (dealing in securities) <sup>(Note)</sup>	Since 29 July 2010
Type 2 (dealing in futures contracts) <sup>(Note)</sup>	Since 29 July 2010
HKFE Exchange Participant (HKATS code: DRA)	Since 16 August 2010

*Note:* Licensing condition: The licensee shall only provide services to professional investors. The term "professional investor" is as defined in the Securities and Futures Ordinance and its subsidiary legislation.

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

## BUSINESS

Our Directors confirm that our Group has obtained all the necessary licences, permits, certificates and participations which are required to carry on its activities as set out in this document as at the Latest Practicable Date and that all staff members currently performing regulated activities for our Group are properly registered with the SFC as Responsible Officers or Licensed Representatives accredited to De Riva.

Further, our Directors confirm that:

- (i) our Group has not experienced any difficulty in renewing any of our licences;
- (ii) none of our licences has been revoked; and
- (iii) we have not received any objection from the SFC or other competent authorities in respect of renewal of any licences or participations.

### OUR EMPLOYEES

#### Responsible Officers and Licensed Representatives

De Riva is licensed to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO. Set out below is a summary of the licences currently held by us and the number of licensed persons in each regulated activity as at the Latest Practicable Date.

<b>Regulated activities</b>	<b>Number of Responsible Officers<sup>(Note)</sup></b>	<b>Number of Licensed Representatives<sup>(Note)</sup></b>
Type 1	3	11
Type 2	3	12

*Note:* Respective persons may hold multiple licences for different regulated activities.

Under the SFO, at least one of the Responsible Officers must be an "executive director" (defined in the SFO to mean a director who actively participates in, or is responsible for directly supervising, the business of a regulated activities for which the corporation is licensed). In this regard, Mr. Lee was the executive director approved by the SFC as a Responsible Officer in compliance with the SFO.

According to the public register of licensed persons and registered institutions of the SFC, none of our Responsible Officers or Licensed Representatives have been subject to any public disciplinary actions.

## BUSINESS

### Number of employees by function

Set out below is the number of employees by function as at 31 March 2016, 31 March 2017, 31 March 2018 and the Latest Practicable Date:

	As at 31 March			As at the Latest Practicable Date
	2016	2017	2018	
Directors and senior management	5	5	6	6
Derivatives dealing and brokerage	13	11	12	12
Settlement department	3	3	2	2
Finance, IT, compliance, human resources and administration	3	4	5	5
<b>Total</b>	<b>24</b>	<b>23</b>	<b>25</b>	<b>25</b>

### Relationship with staff

Our Directors consider that our Group has maintained good relationships with our employees. The Directors confirm that our Group has complied with all applicable labour laws and regulations in Hong Kong.

Our Directors confirm that our Group has not experienced any significant problems with our employees or disruption to our operations due to labour disputes nor has our Group experienced any major difficulties in the retention of experienced staff or skilled personnel during the Track Record Period.

### Training and recruitment policies

Our Directors believe that our staff is our most important asset. It is our policy to encourage the development and training of our staff in order to maximise their potential. Our Directors firmly believe that motivating our staff will help align their interests with ours which ultimately benefits our Group and enables both our staff and our Group to develop concurrently.

Our Group provides training to staff to equip them with the relevant skills and knowledge necessary for their respective job functions. Accordingly, the nature of staff training that our Group provides varies with the function that may be performed by the relevant staff.

## BUSINESS

Our staff training can be classified into internal training and external training. Internal training of our staff involves on-the-job training (which may be provided during job induction, rotation and over their employment) and internal training sessions.

In terms of external training, our Group encourages our staff to attend external courses and seminars. In particular, our Group strongly encourages our staff to attend training sessions to keep them abreast of latest development of the relevant laws, rules and regulations.

De Riva is a licensed corporation under the SFO and the majority of our employees are licensed as either Responsible Officers or Licensed Representatives. As such, the licensed staff of De Riva have to comply with the continuous professional training requirements. All Responsible Officers and Licensed Representatives are required to undertake sufficient number of hours of continuous professional training in order to maintain their SFC licenses to carry on regulated activities.

From time to time, our Group provides updates on changes or development in the financial industry including the revisions on rules and regulations to keep our relevant staff updated.

### **Recruitment policy**

Our recruitment policy is designed to assist our Group to employ staff through a transparent and fair process. Suitable candidates are sourced through public advertisement, network referrals as well as internal promotions, as appropriate. Our Group will assess each applicant through reviewing their resume and their interview process, based on factors including, among others, academic, professional and technical qualifications, relevant work experience, job knowledge, technical know-how and management experience. Suitable candidates will be offered employment based on the merits and assessment of desk managers, and following approval by our human resources department and senior management.

### **Staff remuneration and benefits**

Our Group aims to offer competitive remuneration to our staff, and consideration is given to market pay levels, pay trends as well as supply and demand in the labour market. The remuneration package of our staff includes a basic salary, medical allowances and discretionary bonuses. Our Group makes contributions to all mandatory provident funds for our staff under the applicable laws in Hong Kong.

## BUSINESS

### OUR LEASED PROPERTY

As at the Latest Practicable Date, our Group did not own any real property. During the Track Record Period, our total rental and related expenses incurred were approximately HK\$3.6 million.

Our headquarters and principal place of business is leased from an Independent Third Party pursuant to a tenancy agreement whereby our Group is permitted to have exclusive possession to occupy and use the office premises. Details of the premises are summarised below:

Location	Tenant	Description and tenure	Usage	Term
Units 501-2, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong	De Riva	The property comprises two adjoining office units and a total lettable area of approximately 2,359 square feet. This property is leased to De Riva pursuant to a lease.	Office	two years from 2 December 2016 to 1 December 2018

As agreed with the lessor, our Group surrendered the above office premises in May 2018.

In January 2018, De Riva entered into a tenancy agreement with an Independent Third Party for a larger office premises. In April 2018, the head office of the Group moved to such office premises. Details of the premises are summarised below:

Location	Tenant	Description and tenure	Usage	Term
Units 2601-3, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong	De Riva	The property comprises three adjoining office units and a total lettable area of approximately 3,754 square feet. This property is leased to De Riva pursuant to a lease	Office	three years from 1 March 2018 to 28 February 2021



## BUSINESS

### OUR INTELLECTUAL PROPERTY

#### Trade marks

As at the Latest Practicable Date, our Group had applied for the registration of two trademarks in Hong Kong. For further details, please refer to the section headed "B. Further information about our business — 2. Intellectual property rights — (a) Trademarks" in Appendix IV to this document.

#### Domain names

As at the Latest Practicable Date, our Group had registered one domain name, being www.derivaasia.com. Ownership of such domain name is considered by our Directors as material to the business of our Group. Details are set out in the section headed "B. Further information about our business — 2. Intellectual property rights — (b) Domain name" in Appendix IV to this document.

Our Directors confirm that as at the Latest Practicable Date, our Group had not infringed, and had not been alleged to have infringed, any intellectual property rights owned by third parties and our Group had not been subject to any material intellectual property claims against us or been involved in any material intellectual property dispute.

### OUR INSURANCE COVERAGE

During the Track Record Period, we maintained medical insurance for employees and insurance as required under the Securities and Futures (Insurance) Rules. As major aspects of our operations have been covered by insurance, we believe our Group has taken out sufficient insurance coverage over our assets and employees. During the Track Record Period, there were no material insurance claims.

### HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

Our Directors believe that the nature of our business does not involve substantial risks involving the environmental, health and safety matters. During the Track Record Period, our Group has complied in all material respects with all environmental, health and work safety laws and regulations applicable to us.

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

### CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), (i) Oasis Green, an investment holding company wholly-owned by Pacific Asset; (ii) Pacific Asset, an investment holding company wholly-owned by Mr. Yu; and (iii) Mr. Yu, will together be entitled to directly or indirectly exercise or control the exercise of the voting rights of [REDACTED]% of the enlarged issued share capital of our Company in the general meeting of our Company. In view of the foregoing, Oasis Green, Pacific Asset and Mr. Yu are our Controlling Shareholders for the purpose of the GEM Listing Rules.

For details of Mr. Yu, please refer to the section headed "Directors and senior management" in this document.

For details of Pacific Asset and our Group structure immediately after the completion of the [REDACTED] and the [REDACTED], please refer to the section headed "History, Reorganisation and corporate structure" in this document.

Save as disclosed above, there is no other person who will, immediately following the completion of the [REDACTED] and the [REDACTED], be directly or indirectly interested in 30% or more of the Shares then in issue or have a direct or indirect equity interest in any member of our Group representing 30% or more of the equity in such entity.

### INDEPENDENCE TO OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of operating our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after [REDACTED]:

#### (i) Management independence

Our management and operational decisions are made by the Board and our senior management. The Board comprises five executive Directors, one non-executive Director and three independent non-executive Directors. The day-to-day management and operation of the business of our Group will be the responsibility of all the executive Directors and senior management of our Group and our Group considers that our Board and senior management will be able to function independently from our Controlling Shareholders and their respective close associates taking into account the following:

- (i) as at the Latest Practicable Date, no executive Directors has overlapping roles or responsibilities in any business which competes or is likely to compete, either directly or indirectly, with our business;
- (ii) each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest to exist;

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (iii) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meetings of the Board in respect of such transactions and shall not be counted in the quorum of the relevant meetings of the Board;
- (iv) the Board has established (i) an audit committee; (ii) a remuneration committee; and (iii) a nomination committee. Each committee includes independent non-executive Directors so as to monitor the operation of our Group. Further, our Group believes that our experienced independent non-executive Directors will be able to exercise their independent judgment and provide impartial opinion and professional advice in the decision-making process of the Board to protect the interest of our Shareholders;
- (v) in the circumstances where all our executive Directors are required to abstain from voting on board resolutions due to potential conflict of interest, it will fall to our non-executive Director and independent non-executive Directors to exercise their business judgement to make decision as our Board. Given the experience of our non-executive Director and independent non-executive Directors, details of which are set out in the section headed "Directors and senior management" in this document, our Directors believe that the remaining Board can still function properly in the event that all our executive Directors are required to abstain from voting; and
- (vi) our Group has also employed other senior management members who have the experience and calibre to conduct our Group's business.

Having considered the above factors, our Directors are satisfied that they will be able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing our business independently from our Controlling Shareholders following completion of the [REDACTED].

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team are able to perform the managerial role in our Group independently.

### **(ii) Operational independence**

Our operations are independent of and not connected with any of our Controlling Shareholders and their respective close associates. Having considered the following reasons:

- (i) Our Group has established our own organisational structure comprising individual departments, each with specific areas of responsibilities including business development department, operations department, administrative and financial department;

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (ii) our Group has not shared our operational resources, such as customers and general administrative resources with the Controlling Shareholders and/or their close associates;
- (iii) our Group has also established a set of internal controls to facilitate the effective operation of our business;
- (iv) as at the Latest Practicable Date, our Group had independent access to service providers and customers of our Group;
- (v) our Group's executive management team (comprising the five executive Directors) and senior management members, has extensive experience in the derivatives trading industry, details of their experience are set out in the section headed "Directors and senior management" in this document; and
- (vi) our Group, our Controlling Shareholders and their respective close associates did not have any common, nor shared, facilities or resources during the Track Record Period and up to the Latest Practicable Date,

our Directors consider that our Group can operate independently from our Controlling Shareholders and their respective close associates from the operational perspective.

### **(iii) Administrative independence**

Our Group has its own capabilities and personnel to perform all essential administrative functions, including financial and accounting management, invoicing and billing, human resources and information technology.

### **(iv) Financial independence**

Our Group is financially independent of our Controlling Shareholders and their respective close associates. Our Group has sufficient capital to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has an independent liquidity monitoring system and makes financial decisions according to our own business needs.

Based on the above, our Directors are of the view that our Group is not financially dependent on our Controlling Shareholders or their respective close associates in our business operations and our Group is able to obtain external financing on market terms and conditions for our business operations as and when required.

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

(v) **No continuing connected transaction upon [REDACTED]**

During the Track Record Period, there was no non-exempt connected transactions or continuing connected transactions which would be required to be disclosed pursuant to the GEM Listing Rules. There will also be no continuing connected transaction between our Group and our Controlling Shareholders, their respective close associates and connected persons of our Group upon [REDACTED].

### NON-COMPETITION UNDERTAKINGS AND FIRST RIGHT OF REFUSAL

Each of our Directors and our Controlling Shareholders has confirmed that, as at the Latest Practicable Date, none of them or their respective close associates has any interest in a business which competes or may compete, either directly or indirectly, with our Group's business, which would otherwise require disclosure under Rule 11.04 of the GEM Listing Rules.

### DEED OF NON-COMPETITION UNDERTAKINGS

To protect our Group from any potential competition, each of our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee of our subsidiaries), pursuant to which each of our Controlling Shareholders has jointly and severally undertaken to and covenanted with our Company (for ourselves and as trustee of our subsidiaries) that with effect from the [REDACTED] and during the term of the Deed of Non-competition (the "Restricted Period"), he/it shall not, and shall procure that their respective close associates (other than any member of our Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, (i) engage in, participate or hold any right or interest in or render any services to or otherwise be involved in any business (whether as owner, director, operator, licensor, licensee, partner, shareholder, joint venturer, employee, consultant or otherwise) in competition with or likely to be in competition with the existing business carried on by our Group (including but not limited to providing derivatives brokerage services to Professional Investors in Hong Kong and any other country or jurisdiction to which our Group provides such services and/or in which any member of our Group carries on business mentioned above from time to time (the "Restricted Business")); and (ii) take any action which constitutes an interference with or a disruption of the Restricted Business including, but not limited to, solicitation of our Group's customers, service providers or personnel of any member of our Group.

Such non-competition undertaking does not apply with respect to the holding of or any interest in, directly or indirectly, any shares in any company which conducts or is engaged in, directly or indirectly, any Restricted Business, provided that such shares are listed on a recognised stock exchange and:

- (a) the total number of such shares held by any of the Controlling Shareholders and/or their respective close associates does not amount to 10% or more of the issued shares of that class of such company in question; and

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (b) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets as shown in that company's latest audited accounts.

Pursuant to the Deed of Non-competition, each of our Controlling Shareholders has further undertaken to procure that, during the Restricted Period, any business investment or other commercial opportunity relating to the Restricted Business (the "New Opportunity") identified by or offered to our Controlling Shareholders and/or any of their close associates (other than members of our Group) (the "Offeror") is first referred to our Group in the following manner:

- (a) our Controlling Shareholders are required to, and shall procure that their close associates (other than members of our Group) to, refer, or procure the referral of, the New Opportunity to our Group, and shall give written notice to our Group of any New Opportunity containing all information reasonably necessary for our Group to consider whether (i) the New Opportunity would constitute competition with the core business and/or any other new business which our Group may undertake at the relevant time; and (ii) it is in the interest of our Group to pursue the New Opportunity, including but not limited to the nature of the New Opportunity and the details of the investment or acquisition costs (the "Offer Notice"); and
- (b) the Offeror will be entitled to pursue the New Opportunity only if (i) the Offeror has received a written notice from our Group declining the New Opportunity and confirming that the New Opportunity would not constitute competition with the core business of our Company; or (ii) the Offeror has not received the notice from our Group within 30 Business Days from the receipt of the Offer Notice; the Offeror shall use its best endeavours to procure that such New Opportunity is offered to our Group on terms no less favourable than the terms on which such New Opportunity is offered to the Offeror. If there is a material change in the terms and conditions of the New Opportunity pursued by the Offeror, the Offeror will refer the New Opportunity as so revised to our Group in the manner as set out above.

Upon receipt of the Offer Notice, our Group will seek opinions and decisions from our independent non-executive Directors who do not have a material interest in the matter as to whether (a) such New Opportunity would constitute competition with the core business of our Group; and (b) it is in the interest of our Company and our Shareholders as a whole to pursue the New Opportunity.

Our independent non-executive Directors will be responsible for reviewing, considering and deciding whether or not to exercise the option for the new business opportunities. In assessing whether or not to exercise the option, our independent non-executive Directors will consider a range of factors including any feasibility study, counterparty risk, estimated profitability, the business and the legal, regulatory and contractual landscape and form their views based on the best interest of our Shareholders

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

and our Company as a whole, and if necessary, our independent non-executive Directors will consider to engage an independent third party professional valuer, at the cost of our Company, to evaluate the business opportunity. Our independent non-executive Directors are also entitled to engage an independent financial adviser, at the cost of our Company, in connection with the exercise of the option for the business opportunity.

The obligations of our Controlling Shareholders under the Deed of Non-competition will remain in effect until: (i) the date on which the Shares cease to be listed on the Stock Exchange; or (ii) the date on which our Controlling Shareholders and their close associates, individually or collectively, cease to own 30% or more of the then issued share capital of our Company directly or indirectly or cease to be deemed as Controlling Shareholder of our Company and does not have power to control our Board; whichever occurs first.

### CORPORATE GOVERNANCE MEASURES

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

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

- our Company adopted the Articles on [●], the provisions of which are in compliance with requirements of the Companies Law and the GEM Listing Rules. Generally, unless otherwise provided in the Articles, a Director is prohibited under the Articles from voting (or being counted in the quorum) on any resolution of our Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have any material interest, and if he shall do so his vote shall not be counted (and he shall not be counted in the quorum for that resolution);
- our independent non-executive Directors will review, at least on an annual basis, the compliance with the non-compete undertaking by our Controlling Shareholders under the Deed of Non-competition;
- our Controlling Shareholders have undertaken to us that they will, and will procure their respective close associates to provide all information necessary for the independent non-executive Directors to review our Controlling Shareholders' compliance with and the enforcement of the Deed of Non-competition;



## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance with and the enforcement of the Deed of Non-competition for disclosure in the annual reports of our Company and endeavours to ensure that the disclosure of information relating to the compliance with the terms of the Deed of Non-competition and the enforcement of it are in accordance with the requirements of the GEM Listing Rules;
- the executive Directors will ensure that any material conflict or material potential conflict of interests involving the proposed investment will be reported to the independent non-executive Directors as soon as practicable when such conflict or potential conflict is discovered and a Board meeting will be held to review and evaluate the proposed investment. The conflicted Directors shall refrain from participating in the Board meetings on which resolutions with material conflict or material potential conflicts of interest are discussed;
- in the event that there is any potential conflict of interests relating to the business of our Group between our Group and our Controlling Shareholders or their respective close associates, the interested Directors would, according to the Articles or the GEM Listing Rules, be required to declare his/its interests and, where required, abstain from participating in the relevant board meeting or general meeting and voting on the transaction and not count as quorum where required;
- our Company has set up an audit committee on [●] to review and supervise our Company's financial reporting process and internal control systems of our Group and to monitor any continuing connected transactions, all members of which are independent non-executive Directors; and
- our Group has appointed Red Sun Capital as our compliance adviser, particulars of the terms of appointment are set forth under the section headed "Directors and senior management — Compliance adviser" in this document.



## SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued by our Company pursuant to the exercise of any options which may be granted under the Share Option Scheme), the following persons were expected to have interests or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, 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 our Group:

### **Interests or short positions in our Group:**

[REDACTED]

## SUBSTANTIAL SHAREHOLDERS

[REDACTED]

Save as disclosed in this document, our Directors are not aware of any other person who will, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), have an interest or short position in our Shares or underlying shares, which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in the circumstances at general meeting of any of our subsidiaries. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth a summary of information regarding our Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors, senior management and the Controlling Shareholders
<b>Executive Directors</b>						
Mr. Lau Ming Yeung Lambert (劉名揚)	39	Chairman and executive Director	1 June 2017	1 November 2017	Overseeing the overall strategic development and operations, business development, financial performance, risk management and compliance matters of our Group, formulating and implementing strategic plans and assigning responsibilities to the senior management of our Group	Nil
					Member of our remuneration committee and our nomination committee	
Mr. Choi Man Ho (蔡文豪)	42	Chief executive officer and executive Director	4 March 2013	1 November 2017	Overseeing and monitoring the daily operations, financial performance, risk management and internal control of our Group, handling compliance matters of our Group and managing and overseeing the operation of the broking team for delta one products of De Riva	Nil
Mr. Lee Tik Man Dick (李迪文)	43	Executive Director	4 March 2013	1 November 2017	Overseeing the overall operations of our Group and acting as the co-head of single stocks derivatives team of De Riva	Nil

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors, senior management and the Controlling Shareholders
Mr. Fung Wai Yip Patrick (馮偉業)	44	Executive Director	4 March 2013	1 November 2017	Overseeing the overall operations of our Group and acting as the co-head of single stocks derivatives team of De Riva	Nil
Mr. Ng Yu Fai (吳宇輝)	42	Executive Director	16 July 2013	1 November 2017	Managing and overseeing the operations of the broking team for listed Hong Kong derivatives products, managing client accounts with major investment banks, developing new client accounts and overseeing the risk management of De Riva	Nil

### Non-executive Director

Yu Kwok Tung (余國棟)	61	Non-executive Director	29 November 2017	29 November 2017	Responsible for advising on issues of strategy, policy, performance, accountability, resources and standard of conduct of our Group	Controlling Shareholder
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### Independent non-executive Directors

Voon David Hian-fook (溫賢福)	52	Independent non-executive Director	[●]	[●]	Responsible for providing independent advice on issues of strategy, policy, performance, accountability, resources and standard of conduct of our Group	Nil
					Chairman of our remuneration committee and a member of our audit committee and our nomination committee	

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Roles and responsibilities	Relationship with other Directors, senior management and the Controlling Shareholders
Or Kevin (柯衍峰)	46	Independent non-executive Director	[●]	[●]	Responsible for providing independent advice on issues of strategy, policy, performance, accountability, resources and standard of conduct of our Group  Chairman of our audit committee	Nil
Wu Ping Lam Michael David (吳秉霖)	35	Independent non-executive Director	[●]	[●]	Responsible for providing independent advice on issues of strategy, policy, performance, accountability, resources and standard of conduct of our Group  Chairman of our nomination committee and a member of our audit committee and our remuneration committee	Nil

### DIRECTORS

Our Board has the ultimate responsibility for the management of our Company and currently consists of nine Directors, made up of five executive Directors, one non-executive Director and three independent non-executive Directors.

#### Executive Directors

**Mr. Lau Ming Yeung Lambert (劉名揚)**, aged 39, joined our Group as a managing director of De Riva in June 2017 and was appointed as a Director on 1 November 2017. He was re-designated as an executive Director on [●] and appointed as the Chairman of the Board on 4 December 2017. He is also a member of the nomination committee and remuneration committee of our Company. Mr. Lau is responsible for overseeing the overall strategic development and operations, business development, financial performance, risk management and compliance matters of our Group and is responsible for formulating and implementing strategic plans and assigning responsibilities to the senior management of De Riva. During the Track Record Period, Mr. Lau formed part of the management team of De Riva together with our other four executive Directors, namely Mr. Choi, Mr. Lee, Mr. Fung and Mr. Ng.

## DIRECTORS AND SENIOR MANAGEMENT

After graduating from Columbia University in the City of New York in the USA with a degree of Bachelor of Science in Operations Research in 2000, Mr. Lau obtained a degree of Master of Science in Financial Engineering in 2001. Mr. Lau has accumulated more than fifteen years of experience in derivatives trading. The following table highlights Mr. Lau's professional experience prior to joining our Group:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Duration
Goldman Sachs (Asia) L.L.C. (or its affiliates) ("Goldman Sachs")	Global investment banking, investment management, securities, and other financial services including prime brokerage	Managing director, Securities division	Managing businesses across single stock flow derivatives, warrants, convertibles and corporate derivatives, serving on various risks, technology and operational committees within the group and being responsible for risk management and large size pricings for the business	From July 2001 to February 2016

Mr. Lau is currently licensed by the SFC to act as a Responsible Officer to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities. He passed Series 3 (National Commodity Futures Examination), Series 7 (General Securities Representative Examination) and Series 63 (Uniform Securities Agent State Law Examination), which are qualifying exams administered by The Financial Industry Regulatory Authority, Inc. (FINRA) in the USA in 2001.

Mr. Lau was also an authorised trader of Goldman Sachs and did place and execute trade orders of derivatives through De Riva when he was working in Goldman Sachs.

Mr. Lau is the brother of Mr. Lau Ming Hong, Henry, the sole shareholder of Santo Global, one of our substantial Shareholders.

Save as disclosed in this document, as at the Latest Practicable Date, Mr. Lau (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, senior management of our Company, substantial Shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

## DIRECTORS AND SENIOR MANAGEMENT

**Mr. Choi Man Ho (蔡文豪)**, aged 42, joined our Group as a derivatives broker of De Riva in March 2013 and was appointed as a Director on 1 November 2017. He was re-designated as an executive Director on [●] and appointed as the chief executive officer of our Group on 4 December 2017. Mr. Choi is responsible for (i) overseeing and monitoring the daily operations, financial performance, risk management and internal control of our Group; and (ii) handling compliance matters of our Group. He is also responsible for managing and overseeing the operation of the broking team for delta one products of De Riva. During the Track Record Period, Mr. Choi acted as a desk manager of De Riva and formed part of its management team together with our other four executive Directors, namely Mr. Lau, Mr. Lee, Mr. Fung and Mr. Ng.

Mr. Choi completed his secondary education in Ireland in 1993. He has since then accumulated more than ten years of experience in derivatives trading. The following table highlights Mr. Choi's professional experience prior to joining our Group:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Duration
BGC Securities (Hong Kong) LLC	Derivatives brokerage	Equity derivatives broker (Asia Pacific excluding Japan)	Acting as a broker dealer of Asia Pacific ex Japan OTC equity derivative delta one products	From January 2008 to February 2013
MF Global Hong Kong Limited	Trading of index futures and options	Equity derivatives broker	Acting as an interdealer broker of Hong Kong OTC equity derivatives products (indices & single stocks)	From December 2005 to January 2008
Asia Netcom Hong Kong Limited (currently known as Telstra Global (HK) Limited)	Providing telephone voice and data communications services	Billing specialist	Testing and launching of system projects and coordinating monthly invoicing	From March 2004 to December 2005

Mr. Choi is currently licensed by the SFC to act as a Licensed Representative to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities.

## DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed in this document, as at the Latest Practicable Date, Mr. Choi (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, senior management of our Company, substantial Shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

**Mr. Lee Tik Man Dick (李迪文)**, aged 43, joined our Group as a derivatives broker of De Riva in March 2013 and is also a director of De Riva. He was appointed as a Director on 1 November 2017 and re-designated as an executive Director on [●]. Mr. Lee is primarily responsible for overseeing the overall operations of our Group and acting as the co-head of single stocks derivatives team and overseeing the single stocks operation for De Riva. During the Track Record Period, Mr. Lee acted as a desk manager of De Riva and formed part of its management team together with our other four executive Directors, namely Mr. Lau, Mr. Choi, Mr. Fung and Mr. Ng.

After graduating from University of Western Ontario in Canada with a degree of Bachelor of Arts with a major in Economics in 1999, Mr. Lee began his career at Hong Kong Futures Exchange Limited where he worked as a market operator. Mr. Lee has accumulated more than fifteen years of experience in derivatives trading. The following table highlights Mr. Lee's professional experience prior to joining our Group:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Duration
BGC Securities (Hong Kong) LLC	Derivatives brokerage	Manager (Equity derivatives Asia)	Acting as a broker dealer of Hong Kong listed derivatives and a key relationship officer	From February 2008 to February 2013
MF Global Hong Kong Limited	Trading of index futures and options	Sales manager (Asia equity derivatives)	Trading of major Asia index futures and options products and managing client relations	From March 2006 to January 2008
Fimat Hong Kong Limited (also known as Newedge Broker Limited)	Trading of index futures, commodities futures and options products	Sales manager (International market)	Trading of major global futures index, commodities futures and options products	From November 1999 to March 2006
Hong Kong Futures Exchange Limited	A futures exchange in Hong Kong offering a variety of futures and options and contracts	Market operator (Open outcry department)	Conducting price reporting and supervising market trading for Hang Seng Index Futures and options market	From March 1999 to November 1999



## DIRECTORS AND SENIOR MANAGEMENT

Mr. Lee is currently licensed by the SFC to act as a Responsible Officer to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities.

As at the Latest Practicable Date, Mr. Lee (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, senior management of our Company, substantial Shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

**Mr. Fung Wai Yip Patrick (馮偉業)**, aged 44, joined our Group as derivatives broker of De Riva in March 2013 and is also a director of De Riva. He was appointed as a Director on 1 November 2017 and re-designated as an executive Director on [●]. Mr. Fung is primarily responsible for overseeing the overall operations of our Group and acting as the co-head of single stocks derivatives team and overseeing the single stocks operation for De Riva. During the Track Record Period, Mr. Fung acted as a desk manager of De Riva and formed part of its management team together with our other four executive Directors, namely Mr. Lau, Mr. Choi, Mr. Lee and Mr. Ng.

Mr. Fung graduated from Hawaii Pacific University in the USA with a degree of Bachelor of Science in Business Administration with a major in Computer Information Systems and Finance in 1998. He has accumulated more than ten years of experience in derivatives trading. The following table highlights Mr. Fung's professional experience prior to joining our Group:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Duration
BGC Securities (Hong Kong) LLC	Derivatives brokerage	Manager	Acting as a broker dealer of Hong Kong listed derivatives	From February 2008 to February 2013
MF Global Hong Kong Limited	Trading of index futures and option products	Derivatives sales trader	Acting as a broker dealer of Hong Kong listed derivatives	From November 2007 to January 2008
CLSA Futures Limited	Futures trading	Derivatives sales trader	Acting as a broker dealer of Hong Kong listed derivatives	From April 2007 to September 2007
Hong Kong Exchanges and Clearing Limited	Operation of stock market and futures market	Senior officer (Derivatives market department)	Supervising Hong Kong listed derivatives markets and participating in various projects	From June 2005 to April 2007

## DIRECTORS AND SENIOR MANAGEMENT

Name of company	Principal business activities	Last position held	Roles and responsibilities	Duration
Credit Suisse First Boston	Investment banking, capital markets and financial services	Trade support (Equity operations/ middle office)	Performing trade amendments on equity products, assisting the front office with booking, preparing pricing supplement for equity-linked securities and verifying brokerages and fees	January 2005 to April 2005
BNP Paribas	Investment banking, capital markets and financial services	Settlement assistant (Equity derivatives operations department)	Assisting with position reconciliation for Hong Kong listed stocks and stock options, preparing funding for Murex, arranging margin call and withdrawal and preparing and reviewing position limit report	August 2004 to November 2004
Hong Kong Exchange and Clearing Limited	Operation of stock market and futures market	Assistant officer (Derivatives markets development & operations)	Performing OMnet Application Programming Interface certification test for basic and tailor-made functionalities, assisting with the implementation of new systems, handling trading queries and complaints from Exchange Participants and preparing management reports to internal and external auditors and the SFC for review	May 2000 to February 2004

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Fung is currently licensed by the SFC to act as a Responsible Officer to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities.

As at the Latest Practicable Date, Mr. Fung (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, senior management of our Company, substantial Shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

**Mr. Ng Yu Fai (吳宇輝)**, aged 42, joined our Group as index derivatives senior broker of De Riva in July 2013 and was appointed as a Director on 1 November 2017. He was re-designated as an executive Director on [●]. Mr. Ng is the desk manager of the index listed derivatives team and is primarily responsible for managing and overseeing the operation of the broking team for listed Hong Kong derivatives products. He is also responsible for managing client accounts with major investment banks, developing new client accounts across Asia and Europe and overseeing the risk management of De Riva. During the Track Record Period, Mr. Ng acted as a desk manager of De Riva and formed part of its management team together with our other four executive Directors, namely Mr. Lau, Mr. Choi, Mr. Lee and Mr. Fung.

Mr. Ng completed his secondary education in Hong Kong in 1992 and has accumulated more than fifteen years of experience in derivatives and securities trading. The following table highlights Mr. Ng's professional experience prior to joining our Group:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Duration
BGC Securities (Hong Kong) LLC	Derivatives brokerage	Manager (Equity derivatives Asia)	Acting as a broker dealer of Hong Kong listed derivatives and a key relationship officer	From February 2008 to April 2013
MF Global Hong Kong Limited	Trading of index futures and options	Vice President (Equity derivatives Asia)	Acting as a broker dealer of Hong Kong listed derivatives	From August 2005 to January 2008

Mr. Ng is currently licensed by the SFC to act as a Licensed Representative to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities.

## DIRECTORS AND SENIOR MANAGEMENT

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

Name of company	Place of incorporation or establishment	Principal business activity immediately prior to its dissolution/ winding-up	Date of dissolution/ winding-up	Details
Well Booming International Trading Limited	Hong Kong	The company had not commenced any business activity	21 August 2015	This was a Hong Kong incorporated company de-registered under Section 751 of the Companies Ordinance and accordingly dissolved upon de-registration <sup>(Note 1)</sup>
Concept City International Limited	Hong Kong	The company had not commenced any business activity	25 November 2005	This was a Hong Kong incorporated company de-registered under Section 291AA of the Predecessor Companies Ordinance and accordingly dissolved upon de-registration <sup>(Note 2)</sup>

*Notes:*

1. Under Section 751 of the Companies Ordinance, an application for de-registration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's assets do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of the subsidiary's assets consist of any immovable property situated in Hong Kong.
2. Under Section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application and (c) such company has no outstanding liabilities.

Mr. Ng confirmed that (i) there is no wrongful act on his part leading to the dissolution of the above companies; (ii) he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution of the above companies; and (iii) the above companies were solvent at the time of their respective dissolution.

Save as disclosed in this document, as at the Latest Practicable Date, Mr. Ng (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, senior management of our Company, substantial Shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

## DIRECTORS AND SENIOR MANAGEMENT

### Non-executive Director

Mr. Yu Kwok Tung (余國棟), aged 61, one of our Controlling Shareholders, was appointed as a Director on 29 November 2017 and re-designated as a non-executive Director on [●] 2018. Mr. Yu is primarily responsible for advising our Board on strategy, policy, performance, accountability, resources and standard of conduct.

Mr. Yu graduated from the University of Brighton (formerly known as Brighton Polytechnic) in the United Kingdom with a degree of Bachelor of Science in Combined Sciences in July 1982. The following table highlights Mr. Yu's professional experience prior to joining our Group:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Duration
AP Dow Jones Inc.	Publication of business news and financial information	Business director (Asia Pacific)	Overseeing and managing sales, distribution, business development and human resources in the Asia Pacific region, formulating annual budget, business and strategic planning and managing and coordinating new product development editorial coverage with Dow Jones news wire	1991 to 1997
Telerate Financial Networks Limited	Provision of global real time financial data and news networks services	Sales and account manager	Managing sales and accounts in Hong Kong and China, formulating business development plans and coordinating the installation and launching of new trading platform and system for foreign exchange trading between global banks	1985 to 1990

## DIRECTORS AND SENIOR MANAGEMENT

Since 1997, Mr. Yu has been self-employed and involved in managing personal investments through a number of companies in Hong Kong. These companies are principally engaged in the business of property investments, retail and distribution and renewable energy business.

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

Name of company	Place of incorporation or establishment	Principal business activity immediately prior to its dissolution/ winding-up	Date of dissolution/ winding-up	Details
Globaltec Group Limited	Hong Kong	Inactive	25 September 2009	This was a Hong Kong incorporated company de-registered under Section 291AA of the Predecessor Companies Ordinance and accordingly dissolved upon de-registration <sup>(Note)</sup>
Pen Gallery Limited	Hong Kong	Retail and wholesale of branded pens and accessories	30 January 2009	This was a Hong Kong incorporated company de-registered under Section 291AA of the Predecessor Companies Ordinance and accordingly dissolved upon de-registration <sup>(Note)</sup>
Linton Corporation Limited	Hong Kong	Property investment	3 November 2006	This was a Hong Kong incorporated company de-registered under Section 291AA of the Predecessor Companies Ordinance and accordingly dissolved upon de-registration <sup>(Note)</sup>

**DIRECTORS AND SENIOR MANAGEMENT**

Name of company	Place of incorporation or establishment	Principal business activity immediately prior to its dissolution/ winding-up	Date of dissolution/ winding-up	Details
Linton (Asia) Limited	Hong Kong	Trading/retail	4 October 2002	This was a Hong Kong incorporated company de-registered under Section 291AA of the Predecessor Companies Ordinance and accordingly dissolved upon de-registration <sup>(Note)</sup>
Pen Gallery (China) Limited	Hong Kong	Retail and wholesale of branded pens in China	4 October 2002	This was a Hong Kong incorporated company de-registered under Section 291AA of the Predecessor Companies Ordinance and accordingly dissolved upon de-registration <sup>(Note)</sup>
Eastern Regent Limited	Hong Kong	Property investment	22 February 2002	This was a Hong Kong incorporated company de-registered under Section 291AA of the Predecessor Companies Ordinance and accordingly dissolved upon de-registration <sup>(Note)</sup>

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

Mr. Yu confirmed that (i) there is no wrongful act on his part leading to the dissolution of the above companies; (ii) he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution of the above companies; and (iii) the above companies were solvent at the time of their respective dissolution.

## DIRECTORS AND SENIOR MANAGEMENT

Save as disclosed in this document, as at the Latest Practicable Date, Mr. Yu (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, senior management of our Company, substantial Shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

### Independent non-executive Directors

**Mr. Voon David Hian-fook (温賢福) (“Mr. Voon”)**, aged 52, was appointed as an independent non-executive Director on [●]. He is also the chairman of our remuneration committee and a member of our audit and nomination committee. Mr. Voon is primarily responsible for providing independent advice on our Group’s strategy, policy, performance, accountability, resources and standard of conduct.

After graduating from University of California, Berkeley in the USA with a degree of Bachelor of Arts with a major in Economics in 1988, Mr. Voon obtained a Juris Doctor degree from Harvard University in 1991. Mr. Voon joined Shearman & Sterling LLP after graduating from Harvard University and thereafter he joined Goldman Sachs (Asia) L.L.C. in 1993. Throughout Mr. Voon’s career in Goldman Sachs (Asia) L.L.C. (or its affiliates). Mr. Voon had been engaged in various roles including Head of Asia ex-Japan Equity Derivatives Sales and Trading Department, Head of Fixed Income, Currency & Commodities and Equities Structured Products and Head of Asia Private Wealth Management Department and was a member of Goldman Sachs Asia Management Committee. The following table highlights Mr. Voon’s professional experience:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Duration
Goldman Sachs (Asia) L.L.C. (or its affiliates)	Global investment banking, investment management, securities, and other financial services including prime brokerage	Partner	Heading the Asia Private Wealth Management Department	From November 1993 to July 2011
Shearman & Sterling LLP	Provision of legal services	Associate (Corporate finance department)	Providing legal services to clients in connection with equity initial public offerings and private placement of debt securities	From September 1991 to November 1993

Mr. Voon has been the chairman and director of Oski Capital Partners Limited since August 2015, the vice chairman of The Manhasset Bay Group, Inc. since March 2013 and the vice chairman of TransAsia Private Capital Limited since April 2013.



## DIRECTORS AND SENIOR MANAGEMENT

Mr. Voon was admitted as a member of the American Bar Association in 1991. He was licensed by the SFC to act as a Responsible Officer to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), Type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities. He passed Series 3 (National Commodity Futures Examination) and Series 7 (General Securities Representative Examination) in 1993, and Series 9 (General Securities Sales Supervisor — Options Module Examination) and Series 10 (General Securities Sales Supervisor — General Module Examination) in 2013, which are qualifying exams administered by The Financial Industry Regulatory Authority, Inc. (FINRA) in the USA.

Save as disclosed in this document, as at the Latest Practicable Date, Mr. Voon (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, senior management of our Company, substantial Shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

**Mr. Or Kevin (柯衍峰) (“Mr. Or”)**, aged 46, was appointed as an independent non-executive Director on [●]. He is also the chairman of our audit committee. Mr. Or is primarily responsible for providing independent advice on our Group’s strategy, policy, performance, accountability, resources and standard of conduct.

In 1994, Mr. Or graduating from Royal Melbourne Institute of Technology now known as RMIT University in Australia with a degree of Bachelor of Business. He began his career at PricewaterhouseCoopers Limited in 1996 and has since accumulated more than twenty years of experience in the audit field. The following table highlights Mr. Or’s professional experience:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Duration
Linkers CPA Limited	Provision of accounting and auditing services	Associate director	Heading the Assurance and Learning & Development Divisions of the firm	From December 2016 to present
PricewaterhouseCoopers Limited	Provision of accounting and auditing services	Senior manager	Provision of assurance services and advising small and medium-sized enterprises, entrepreneurs and companies seeking listing in Hong Kong	From November 1996 to December 2016

Mr. Or was admitted as a certified practising accountant of the Australian Society of Certified Practising Accountants in 1997 and a member of Hong Kong Society of Accountants in 1998.

## DIRECTORS AND SENIOR MANAGEMENT

As at the Latest Practicable Date, Mr. Or (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, senior management of our Company, substantial Shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

**Mr. Wu Ping Lam Michael David (吳秉霖) ("Mr. Wu")**, aged 35, was appointed as an independent non-executive Director on [●] 2018. He is also the chairman of our nomination committee and a member of our audit and remuneration committee. Mr. Wu is primarily responsible for providing independent advice on our Group's strategy, policy, performance, accountability, resources and standard of conduct.

After graduating from Cornell University in the City of New York in the USA with a degree of Bachelor of Arts and Sciences with a major in Economics and Psychology in 2004, Mr. Wu obtained a degree of Masters of Engineering in 2005 also from Cornell University. The following table highlights Mr. Wu's professional experience:

Name of company	Principal business activities	Last position held	Roles and responsibilities	Duration
Veritas Wine Trading Limited	Trading of investment grade wines	Chief executive officer	Formulating and implementing strategic plans of the company and overseeing the overall operations, business development and financial performance of the company	From April 2013 to present
Goldman Sachs (Asia) L.L.C. (or its affiliates)	Global investment banking, investment management, securities, and other financial services including prime brokerage	Executive director (Equities division)	Providing liquidity on options market to hedge funds and domestics institutions through market making activities and managing and hedging proprietary risks of the company using OTC and listed option markets	From July 2005 to February 2014

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Wu passed Series 7 (General Securities Representative Examination) and Series 63 (Uniform Securities Agent State Law Examination) in 2005 and Series 3 (National Commodity Futures Examination) in 2011, which are qualifying exams administered by The Financial Industry Regulatory Authority, Inc. (FINRA) in the USA.

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

Name of company	Place of incorporation or establishment	Principle business activity immediately prior to its dissolution/ winding-up	Date of dissolution/ winding-up	Details
Veritas Wine Management Limited	Hong Kong	Investment holding	17 November 2017	This was a Hong Kong incorporated company de-registered under Section 751 of the Companies Ordinance and accordingly dissolved upon de-registration <sup>(Note)</sup>

*Note:* Under Section 751 of the Companies Ordinance, an application for de-registration can only be made if (a) all the members of such company agreed to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's assets do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of the subsidiary's assets consist of any immovable property situated in Hong Kong.

Mr. Wu confirmed that (i) there is no wrongful act on his part leading to the dissolution of the above company; (ii) he is not aware of any actual or potential claim has been or will be made against his as a result of the dissolution of the above company; and (iii) the above company was solvent at the time of its dissolution.

As at the Latest Practicable Date, Mr. Wu (i) had no interests in our Shares within the meaning of Part XV of the SFO; (ii) did not have any other relationship with any Directors, senior management of our Company, substantial Shareholders or Controlling Shareholders; and (iii) did not hold any directorship in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

## DIRECTORS AND SENIOR MANAGEMENT

### Disclosure of relationships

Save as disclosed above and elsewhere in this document, each of our Directors confirmed with respect to himself that: (i) apart from our Company, he has not held directorships in the last 3 years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) save as disclosed in the paragraph headed "C. Further information about our Directors and substantial Shareholders" in Appendix IV to this document, he does not have any interests in the Shares within the meaning of Part XV of the SFO; (iii) there is no other information that should be disclosed for himself pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders.

### BOARD COMMITTEES

#### Audit Committee

Our Group has established an audit committee pursuant to a resolution of our Directors passed on [●] with written terms of reference in compliance with the Corporate Governance Code and Rule 5.28 as set out in the GEM Listing Rules. The primary duties of our audit committee are mainly (i) to make recommendations to our Board on the appointment and removal of external auditors; (ii) to review and revise our Group's financial statements and render advice in respect of financial reporting; (iii) to oversee internal control procedures and corporate governance of our Group; (iv) to supervise internal control systems of our Group; and (v) to monitor any continuing connected transactions. All members of our audit committee are appointed by the Board. Our audit committee currently consists of all three of our independent non-executive Directors, namely Mr. Or, Mr. Voon and Mr. Wu. Mr. Or is the chairman of our audit committee.

#### Remuneration Committee

Our Group has established a remuneration committee pursuant to a resolution of our Directors passed on [●] with written terms of reference in compliance with the Corporate Governance Code and Rule 5.34 as set out in the GEM Listing Rules. The primary duties of our remuneration committee are mainly (i) to review and make recommendations to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group; (ii) to review other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management; and (iii) to review the performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration. Our remuneration committee currently consists of Mr. Voon, Mr. Lau and Mr. Wu. Mr. Voon is the chairman of our remuneration committee.

## DIRECTORS AND SENIOR MANAGEMENT

### Nomination Committee

Our Group has established a nomination committee pursuant to a resolution of our Directors passed on [●] with written terms of reference in compliance with the Corporate Governance Code. The primary duties of our nomination committee are mainly (i) to review the structure, size, composition and diversity of our Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors; and (v) to make recommendations to our Board regarding the candidates to fill vacancies on our Board. Our nomination committee currently consists of Mr. Voon, Mr. Wu and Mr. Lau. Mr. Wu is the chairman of our nomination committee.

### SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Roles and responsibilities	Relationship with our Directors, other senior management and Controlling Shareholders
Yui Ka Lee (芮嘉莉)	34	Finance manager	August 2013	Review of the finance, accounting and administrative functions of our Group	Nil

**Ms. Yui Ka Lee (芮嘉莉) (“Ms. Yui”)**, aged 34, joined our Group in August 2013. As the finance manager, Ms. Yui is responsible for the review of our Group’s finance and accounting functions, as well as the administrative function. She has over ten years of experience in the accounting field. Prior to joining our Group, Ms. Yui had worked as an accountant in Hutchison Telecommunications (Hong Kong) Limited from April 2013 to July 2013. From December 2012 to March 2013, Ms. Yui worked in Pinestone Capital Group Limited with her last position as senior accountant. She worked in Rifa Securities Limited (formerly known as Daily Growth Securities Limited) with her last position as senior accountant between April 2012 and December 2012. From March 2010 to March 2012, Ms. Yui worked as an accountant in Vision Investment Management (Asia) Limited. She worked in BDO Limited with her last position as senior associate from February 2008 to March 2010. From June 2006 to February 2008, Ms. Yui worked in FTW CPA (Practising) Limited as a trainee accountant. Ms. Yui was admitted as a member of the Hong Kong Institute of Certified Public Accountants in February 2010. Ms. Yui graduated with a degree of Bachelor of Arts with a major in accountancy and a minor in corporate finance from the Hong Kong Polytechnic University in December 2006.

Ms. Yui does not have any current or past directorships in any public companies, the securities of which were listed on any securities market in Hong Kong or overseas in the last three years.

## DIRECTORS AND SENIOR MANAGEMENT

### COMPANY SECRETARY

Ms. Yui (芮嘉莉) is the company secretary of our Company. Please refer to the paragraph headed "Senior management" above in this section for details about Ms. Yui's qualifications and experience.

### COMPLIANCE OFFICER

Mr. Choi (蔡文豪) was appointed as the compliance officer (pursuant to Rule 5.19 of the GEM Listing Rules) of our Company on 4 December 2017. Please refer to the paragraph headed "Directors" above in this section for details about Mr. Choi's qualifications and experience.

### AUTHORISED REPRESENTATIVES

Mr. Lau and Mr. Choi are the authorised representatives of our Company.

### REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, the aggregate amount of salary, allowances, benefits in kind and defined contribution paid by our Company to our five highest paid individuals (including our Directors) for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018 were approximately HK\$17.6 million, HK\$14.7 million and HK\$22.0 million respectively.

The executive Directors are also employees of our Company and receive, in their capacity as employees of our Company, compensation in the form of salaries and other allowances and benefits in kind. Our Company reimburses our Directors for expenses which are necessarily and reasonably incurred for providing services to our Company or executing their functions in relation to the operations of our Company.

During the Track Record Period, the aggregate amount of fees, salaries, allowances, benefits in kind and defined contribution paid by our Company to our Directors for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018 were approximately HK\$10.4 million, HK\$10.4 million and HK\$20.5 million respectively.

Each of our executive Directors and independent non-executive Directors has entered into either a service contract or letter of appointment with our Company for an initial term of three years with effect from the [REDACTED], which will continue thereafter until terminated by not less than three months' notice in writing. Further details of the terms of the service contracts and letters of appointment entered into with our Directors are set out in the paragraph headed "C. Further information about our Directors and substantial shareholders — 1. Directors — (b) Particulars of service contracts and letters of appointment" in Appendix IV to this document.

## DIRECTORS AND SENIOR MANAGEMENT

During the Track Record Period, no emolument was paid by our Group to, or receivable by, our Directors or the five highest paid individuals as an inducement to join or upon joining our Group. No compensation was paid by our Group to, or receivable by, our Directors, past directors or the five highest paid individuals for the loss of any office in connection with the management of the affairs of any member of our Group. Our 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 our Group to our Directors will be approximately HK\$6.8 million for the year ending 31 March 2019.

None of our Directors or the five highest paid individuals waived any emoluments during the Track Record Period. Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors and the five highest paid individuals during the Track Record Period.

### Remuneration Policy

Our Directors and senior management receive compensation in the form of salaries and other allowances and benefits in kind with reference to those paid by comparable companies, experience, responsibilities and performance of our Group. Our Group also reimburses our Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the operations of our Group. Our Group regularly reviews and determines the remuneration and compensation packages of our Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of our Directors and the performance of our Group.

After [REDACTED], the remuneration committee of our Company will review and determine the remuneration and compensation packages of our Directors with reference to their responsibilities, experience and the performance of our Group. Our Directors may also receive options to be granted under the Share Option Scheme.

### COMPLIANCE ADVISER

Our Group has appointed Red Sun Capital, as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise our Company in the following circumstances:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated, including but not limited to share issues and share repurchases;
- (3) where our Company proposes to use the [REDACTED] of the [REDACTED] in a manner different from that detailed in this document or where the business activities, developments or results of our Group deviate from any forecast, estimate or other information in this document; and



## DIRECTORS AND SENIOR MANAGEMENT

- (4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares pursuant to Rule 17.11 of the GEM Listing Rules.

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

- (1) ensure our Company is properly guided and advised as to compliance with the GEM Listing Rules and the Takeovers Code;
- (2) act as one of our principal channels of communication with the Stock Exchange, including accompanying our Company to any meetings with the Stock Exchange, unless otherwise requested by the Stock Exchange;
- (3) in relation to any application by our Company for a waiver from any of the requirements in Chapters 19 and 20 of the GEM Listing Rules, advise our Company on our obligations and in particular the requirement to appoint an independent financial adviser; and
- (4) assess the understanding of all new appointees to the Board regarding the nature of their responsibilities and fiduciary duties as a director of a listed issuer, and, if any inadequacies are identified, recommend necessary remedial steps to our Directors.

### **Term**

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

### **Duties of our Company**

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

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

### **Termination**

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



## SHARE CAPITAL

### AUTHORISED AND ISSUED SHARE CAPITAL

The authorised and issued share capital of our Company immediately following the completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued by the Company pursuant to the exercise of any options which may be granted under the Share Option Scheme) will be as follows:

<i>Authorised share capital:</i>	<i>HK\$</i>
<u>5,000,000,000</u> Shares	<u>50,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid:</i>	
[REDACTED] Shares in issue as at the date of this document	[REDACTED]
[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
[REDACTED] Shares to be issued pursuant to the [REDACTED]	[REDACTED]
<u>[REDACTED]</u> Total issued Shares upon completion of the [REDACTED] and the [REDACTED]	<u>[REDACTED]</u>

### Assumptions

The above table assumes that the [REDACTED] and the [REDACTED] become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors as referred to below or otherwise.

### Minimum [REDACTED]

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the [REDACTED] and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules).

### Rankings

The [REDACTED] will rank equally with all Shares now in issue or to be allotted and issued and will qualify for all dividends or other distributions declared, made or paid after the date of this document save for the entitlements under the [REDACTED].

## SHARE CAPITAL

### General mandate to allot and issue Shares

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares not exceeding:

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

provided that if any subsequent consolidation or subdivision of Shares is effected, the maximum number of Shares that may be issued pursuant to the approval herein as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same and such maximum number of Shares shall be adjusted accordingly.

The allotment and issue of Shares under a rights issue, script dividend scheme or similar arrangement in accordance with the Articles or on the exercise of any options which may be granted under the Share Option Scheme do not generally require the approval of the Shareholders in general meeting and the total nominal value of the Shares which our Directors are authorised to allot and issue under this mandate will not be reduced by the allotment and issue of such Shares.

This general mandate will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company; or
- the date by which the next annual general meeting of our Company is required by the Articles or any laws applicable to our Company to be held; or
- when varied, revoked or renewed by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the section headed "A. Further information about our Company — 3. Written resolutions of our Shareholders passed on [●]" in Appendix IV to this document.

### General mandate to repurchase Shares

Subject to the [REDACTED] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares not exceeding 10% of the total number of Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED] (excluding any

## SHARE CAPITAL

Shares which may be allotted and issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), provided that if any subsequent consolidation or subdivision of Shares is effected, the maximum amount of Shares that may be repurchased pursuant to the approval herein as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same and such maximum number of Shares shall be adjusted accordingly.

This mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with all applicable laws and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed "6. Repurchases by our Company of our own securities" in the section headed "A. Further information about our Company" in Appendix IV to this document.

This general mandate to repurchase Shares will expire at the earliest of:

- (i) the conclusion of the next annual general meeting of our Company; or
- (ii) at the date by which the next annual general meeting of our Company is required by the any Articles or any applicable laws of the Cayman Islands to be held; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraphs headed "3. Written resolutions of our Shareholder passed on [●]" and "6. Repurchases by our Company of our own securities" in the section headed "A. Further information about our Company" in Appendix IV to this document.

### **Share Option Scheme**

Pursuant to the written resolutions of the Shareholders passed on [●], our Group conditionally adopted the Share Option Scheme. Summary of the principal terms of the Share Option Scheme are respectively set out in the section headed "D. Share Option Scheme" in Appendix IV to this document.

### **Circumstances under which general meeting and class meeting are required**

As a matter of the Companies Law, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meetings or class meetings is prescribed for under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed for under the Articles, a summary of which is set out in "Summary of the constitution of the Company and Cayman Islands company law" in Appendix III to this document.

## FINANCIAL INFORMATION

*You should read this section in conjunction with our audited combined financial statements, including the notes thereto, as set out in the Accountants' Report in Appendix I to this document. Our combined financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRSs"). You should read the entire Accountants' Report and not merely rely on the information contained in this section.*

*The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Directors believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, you should refer to the section headed "Risk factors" in this document.*

### OVERVIEW

Our Group is an interdealer broker in Hong Kong providing derivatives brokerage services to Professional Investors. Our Group carries out our derivatives brokerage business through our wholly-owned subsidiary, De Riva, which is a licensed corporation under the SFO and a HKFE Exchange Participant. De Riva is licensed by the SFC to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities in Hong Kong for Professional Investors without providing any margin financing services. Under the licensing condition, our Group can only provide services to Professional Investors.

Our Group generates all revenue from commission income for matching and/or executing and settling derivatives trade orders for our customers. During the Track Record Period, our Group covered mainly futures and options, that are traded on the HKEx, the SGX or OTC for our derivatives brokerage services.

Our total revenue amounted to approximately HK\$59.8 million for the year ended 31 March 2017, representing a decrease of approximately HK\$0.4 million from approximately HK\$60.2 million for the year ended 31 March 2016. Our revenue amounted to approximately HK\$76.8 million for the year ended 31 March 2018, representing an increase of approximately HK\$17.0 million from approximately HK\$59.8 million for the year ended 31 March 2017.

Our net profit was approximately HK\$11.9 million for the year ended 31 March 2017, representing a decrease of approximately HK\$1.6 million from approximately HK\$13.5 million for the year ended 31 March 2016. Due to the [REDACTED] of approximately HK\$[REDACTED], our Group recorded a net profit of approximately HK\$[REDACTED] for the year ended 31 March 2018.

## FINANCIAL INFORMATION

### BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 1 November 2017 as an exempted company with limited liability. Subsequent to the Reorganisation, our Company became the holding company of the companies now comprising our Group, details of which are set out in the section headed "History, Reorganisation and corporate structure" in this document. Our combined statements of profit or loss and other comprehensive income, combined statements of financial position, combined statements of changes in equity and combined statements of cash flows for the Track Record Period are included in the Accountants' Report, the text of which is set out in Appendix I to this document, include the results of operations of the companies comprising our Group. All significant intra-group transactions and balances within our Group has been eliminated on combination.

The financial information has been prepared in accordance with HKFRSs as adopted by the HKICPA. For more information on the basis of preparation and presentation of the financial information included herein, please refer to Note 3 of the Accountants' Report in Appendix I to this document.

### FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our financial condition and results of operations have been and will continue to be affected by a number of factors, including those factors set out in the section headed "Risk factors" in this document. In particular:

#### **Reliance on our top five customers**

Our revenue from the top five customers, attributed to approximately 35.9%, 41.0%, and 46.1% of our total revenue for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively. Any material change in the amount of trading from these customers will directly impact on the amount of commission income (our key revenue stream) our Group is able to generate for the relevant financial period. As these customers do not have any binding long-term commitments with our Group, there is no guarantee that these customers will not terminate their relationship with us or materially decrease, or cease, trading of the derivatives. Our inability to compensate for loss of income from reduced trading activities from these customers may materially and adversely affect our results of operations and financial condition.

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

Our Group is currently reliant on a single source of income, which is the commission fees for our derivatives brokerage services provided to our customers. The amount of commission fees our Group is able to generate for any particular financial period is directly affected by a number of factors, including trading volume, the financial condition, investment appetite and preference of our customers, which may in turn be affected by the market outlook based on prevailing conditions of the economy and/or market as well as other matters (such as fluctuations in interest rates) beyond our control.

## FINANCIAL INFORMATION

Any general consensus and/or preference among our customers not to trade in some or all derivatives contracts typically traded by them will reduce our revenue and our results of operations and may materially and adversely affect our financial condition.

### **Our business depends on the continuing efforts of our Directors and key senior management**

Our business depends on the continued services of our Directors and key senior management. Our Directors, together with the support of our senior management team, are principally responsible for managing our business development and daily operations. In particular, the experience and customer networks contributed by our key senior management have played a crucial role in building our success and reputation. Therefore, our success is, to a significant extent, attributable to our Directors and senior management team. For further detail, please refer to the section headed "Risk factors" in this document.

Our derivatives brokerage services are dependent on our ability to accurately execute and monitor a larger number of transactions, which involves complicated operational procedures and requires stable performance of our trading system. There is no assurance that our Group will not experience any human errors in processing our customers' instructions, such as input of incorrect derivatives name, quantity of the transaction or incorrect buy/sell order, or incorrect input of customers' account number. Upon discovery of any error trades, our Group would take immediate actions to close our error trading positions and recognise gain or losses from such error trades, if any. During the Track Record Period, there was a material trading error that resulted in an aggregate loss of approximately HK\$1.8 million. Our Directors confirmed during the Track Record Period and up to the Latest Practicable Date, our Group was not subject to any regulatory fines or penalties as a result of the error trades. For details of our error trade incidents, please refer to the section headed "Business — Internal control — Error trade" in this document.

### **Our Group is highly regulated and susceptible to changes in laws, rules and regulations governing the futures industry**

Our derivatives brokerage operations constitute licensed activities which are highly regulated in Hong Kong. Our ability to carry out regulated activities will depend on our ability to comply with various ongoing requirements prescribed by regulators in Hong Kong, and any failure to do so may expose us to regulatory scrutiny (including inspections and investigations) as well as possible sanctions, disciplinary actions, proceedings and will risk our licence being suspended or revoked, which may subsequently affect our operations, integrity and reputation.

Further, any change in the laws, rules and regulations governing the future industry may increase our cost of compliance, restrict our existing business activities and adversely affect our business prospects and results of operations.

## FINANCIAL INFORMATION

### **Our Group is subject to competition in the derivative brokerage industry**

According to the Industry Report, as of June 2018, there were a total of 9 General Clearing Participants, 160 Clearing Participants, and 22 non-clearing participants on the HKFE with a type 2 licenses issued by the SFC, of which 15 of them were providing broking services to external parties on derivative contracts. The rest of the corporations either were only engaged in proprietary trading or had ceased providing broking services. De Riva ranked seventh in terms of total commission revenue generated in 2016 among all non-clearing participants in Hong Kong.

There is no assurance that our Group would be able to effectively and successfully compete with our competitors in terms of, among other things, pricing, resources, technological innovation and quality of services. If our Group fails to maintain our competitive strengths, our Group may lose market share which could materially and adversely affect our results of operations and prospects.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The combined financial statements have been prepared in accordance with all applicable HKFRSs which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by HKICPA.

The measurement basis used in the preparation of the combined financial statements is the historical cost basis except that financial assets designated at fair value through profit or loss are designated at fair value.

The preparation of combined financial statements in conformity with HKFRSs requires us to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Some of the accounting policies require us to make difficult and subjective judgments, often as a result of the need to make estimate of matters that are inherently uncertain. When reviewing our financial information contained herein, you should consider (i) our selection of critical accounting policies; (ii) the judgment and assumptions affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions.

The estimates and associated assumptions are based on historical experience and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revisions affects both current and future periods.



## FINANCIAL INFORMATION

### Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable, and represents the amounts receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to our Group and when revenue can be measured reliably, on the following basis:

- commission income is recognised when the services are rendered; and
- interest income, on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

### Key source of estimation uncertainty

#### *Impairment loss on trade receivables*

The policy for making impairment loss on trade receivables of our Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of our Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 March 2016, 2017 and 2018, the carrying amounts of the trade receivables were approximately HK\$15.6 million, HK\$15.4 million and HK\$21.2 million respectively. No impairment allowance had been recognised during the Track Record Period.

## RESULTS OF OPERATION

The following table sets forth our combined statements of profit or loss and other comprehensive income and other financial information for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018 respectively, as derived from the Accountants' Report set out in Appendix I to this document.

Operating results in any historical period may not be indicative of the results that may be expected in any future period.



**FINANCIAL INFORMATION**

**Combined statements of profit or loss and other comprehensive income**

	<b>For the year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	60,206	59,752	76,759
Other income and gains, net	66	8	455
Total revenue and other income	60,272	59,760	77,214
Depreciation	(315)	(200)	(151)
Staff costs	(28,691)	(27,553)	(41,974)
[REDACTED]	-	-	[REDACTED]
Other operating expenses	(15,119)	(17,778)	(16,641)
Finance costs	-	(7)	(38)
Profit before tax	16,147	14,222	7,800
Income tax expense	(2,656)	(2,365)	(3,022)
Profit and total comprehensive income for the year attributable to the owners of the Company	13,491	11,857	[REDACTED]
Earnings per share	N/A	N/A	N/A

**DESCRIPTION AND ANALYSIS OF PRINCIPAL ITEMS FOR THE COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**Revenue**

Our Group provides interdealer brokerage services of derivatives. During the Track Record Period, our Group derived our revenue all from commission income received from our customers for providing brokerage services on derivative contracts by various execution channels. There were three principal execution channels involved in trade and various products, namely (i) HKEx; (ii) SGX; and (iii) OTC.

During the Track Record Period, our Group covered mainly index futures and options, single stock options and delta one products for our HKEx segment. Our SGX segment covered mainly futures traded on SGX. Our OTC segment covered a wide range of different equity derivatives, mainly single stock options and delta one products.

## FINANCIAL INFORMATION

The following table sets forth our revenue breakdown during the Track Record Period:

	For the year ended 31 March					
	2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
HKEx	50,882	84.5	46,681	78.1	64,033	83.4
SGX	7,356	12.2	11,657	19.5	8,016	10.5
OTC	1,968	3.3	1,414	2.4	4,710	6.1
	<hr/>		<hr/>		<hr/>	
Total	<u>60,206</u>	<u>100.0</u>	<u>59,752</u>	<u>100.0</u>	<u>76,759</u>	<u>100.0</u>

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's revenue which are all commission income on our Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% with reference to the revenue fluctuation during the Track Record Period, which are considered reasonable for the purpose of this sensitivity analysis:

### Hypothetical fluctuations in revenue

	+5%	+10%	-5%	-10%
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Change in profit before tax				
Year ended 31 March 2016	3,010	6,021	(3,010)	(6,021)
Year ended 31 March 2017	2,988	5,975	(2,988)	(5,975)
Year ended 31 March 2018	3,838	7,676	(3,838)	(7,676)
Change in profit after tax				
Year ended 31 March 2016	2,513	5,028	(2,513)	(5,028)
Year ended 31 March 2017	2,495	4,989	(2,495)	(4,989)
Year ended 31 March 2018	3,205	6,409	(3,205)	(6,409)

### Staff costs

Staff costs mainly comprise of salaries, which accounted for approximately 98.5%, 98.6% and 98.5% of our total staff costs for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively.

## FINANCIAL INFORMATION

The following is a breakdown of our staff costs during the Track Record Period:

	For the year ended 31 March					
	2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Salaries	28,267	98.5	27,169	98.6	41,356	98.5
Provident fund contribution	317	1.1	327	1.2	337	0.8
Other allowance	107	0.4	57	0.2	281	0.7
	<u>28,691</u>	<u>100.0</u>	<u>27,553</u>	<u>100.0</u>	<u>41,974</u>	<u>100.0</u>

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our Group's staff costs on our Group's profits during the Track Record Period. The hypothetical fluctuation rates are set at 5% and 10% with reference to the CAGR of approximately 4.3% of the medium monthly wage of financial and insurance in Hong Kong from 2012 to 2016 according to the Industry Report, which are considered reasonable for the purpose of this sensitivity analysis:

<b>Hypothetical fluctuations in staff costs</b>	<b>+5%</b>	<b>+10%</b>	<b>-5%</b>	<b>-10%</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Change in profit before tax				
Year ended 31 March 2016	(1,435)	(2,869)	1,435	2,869
Year ended 31 March 2017	(1,378)	(2,755)	1,378	2,755
Year ended 31 March 2018	(2,099)	(4,197)	2,099	4,197
Change in profit after tax				
Year ended 31 March 2016	(1,198)	(2,396)	1,198	2,396
Year ended 31 March 2017	(1,151)	(2,300)	1,151	2,300
Year ended 31 March 2018	(1,753)	(3,504)	1,753	3,504

### Other operating expenses

Other operating expenses primarily comprised of:

- (i) clearing fees, which represent the fee charged by execution brokers and clearing brokers on the execution and settlement of derivative trades;
- (ii) error and facilitation expenses, which represent the error trades and facilitation paid in order to complete trading orders;
- (iii) information system expenses, which represent the fee charged by service providers on providing real time financial information, telecommunication and other information system services to our Group;

## FINANCIAL INFORMATION

- (iv) marketing expenses, which mainly represent the out-of-pocket expenses incurred by our staff in social events for building and maintaining customer relationships;
- (v) office rent, which represent the rental expenses for our Group's office premises;
- (vi) exchange fees, which represent the fees charged by relevant exchanges;
- (vii) insurance, which mainly represents the premium of the insurance policies paid by our Group; and
- (viii) others, which mainly include office administration costs incurred for daily operation and other sundry expenses.

The following table sets out our other operating expenses during the Track Record Period:

	For the year ended 31 March					
	2016		2017		2018	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Clearing fees – Clearing brokers	3,653	24.1	3,866	21.7	3,586	21.5
Clearing fees – Execution brokers	1,810	12.0	2,558	14.4	1,852	11.1
Error and facilitation expenses	2,826	18.7	3,363	18.9	2,146	12.9
Information system expenses	2,234	14.8	2,443	13.7	2,428	14.6
Marketing expenses	1,355	9.0	2,065	11.6	2,292	13.8
Office rent	881	5.8	905	5.1	1,116	6.7
Exchange fees	495	3.3	547	3.1	445	2.7
Insurance	388	2.6	398	2.2	578	3.5
Others	1,477	9.7	1,633	9.3	2,198	13.2
	<u>15,119</u>	<u>100.0</u>	<u>17,778</u>	<u>100.0</u>	<u>16,641</u>	<u>100.0</u>

### Taxation

Taxation represents income tax payable by us, at the applicable tax rates in accordance with the relevant laws and regulations in each tax jurisdiction our Group operates or domiciles. Our Group had no tax payable in other jurisdictions other than Hong Kong during the Track Record Period. Our operations in Hong Kong are subject to a statutory profit tax rate of 16.5% on the estimated assessable profit.

## FINANCIAL INFORMATION

The following table sets forth a breakdown of our Group's income tax expense during the Track Record Period:

	<b>For the year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$000</i>	<i>HK\$000</i>
Current tax:			
Hong Kong	2,696	2,385	3,052
Over provision in prior year	(20)	–	–
Tax exemption for the year	(20)	(20)	(30)
	<u>2,656</u>	<u>2,365</u>	<u>3,022</u>

Our Group's effective tax rate, calculated as our taxation for the corresponding year divided by our profit before taxation for the year excluding [REDACTED], was approximately 16.4%, 16.6%, and 16.4% for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018, respectively.

	<b>For the year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$000</i>	<i>HK\$000</i>
Profit before tax	<u>16,147</u>	<u>14,222</u>	<u>7,800</u>
Tax at domestic income tax rate of 16.5%	2,664	2,347	1,287
Tax effect of expenses not deductible	–	22	1,756
Tax effect of income not taxable	–*	–*	–*
Tax effect of temporary difference not recognised	32	16	9
Tax effect of tax exemption granted	(20)	(20)	(30)
Overprovision in prior year	(20)	–	–
	<u>2,656</u>	<u>2,365</u>	<u>3,022</u>

\* The balance represents an amount less than HK\$500.

No provision for deferred taxation has been recognised in the financial statements as the amount involved is insignificant.

## FINANCIAL INFORMATION

### COMPARISON OF RESULTS OF OPERATIONS

*Year ended 31 March 2017 compared with year ended 31 March 2016*

#### **Revenue**

Our total revenue decreased by approximately 0.7% from approximately HK\$60.2 million for the year ended 31 March 2016 to approximately HK\$59.8 million for the year ended 31 March 2017. The decrease in revenue was mainly due to the decrease in revenue for the HKEx segment and OTC segment and partly offset by the increase in revenue from the SGX segment.

#### *HKEx*

Our commission income derived from the HKEx segment decreased by approximately 8.3% from approximately HK\$50.9 million for the year ended 31 March 2016 to approximately HK\$46.7 million for the year ended 31 March 2017. The decrease was mainly driven by the decrease in revenue from Customer A and another customer.

The revenue from Customer A dropped from approximately HK\$4.3 million for the year ended 31 March 2016 to approximately HK\$3.0 million for the year ended 31 March 2017. The drop in revenue from Customer A was mainly due to a drop in commission rate since May 2016 as to accommodate the request by Customer A for a better commission rate. The revenue from another customer dropped from approximately HK\$3.3 million for the year ended 31 March 2016 to approximately HK\$1.4 million for the year ended 31 March 2017. The revenue drop from another customer was mainly due to a drop in trading volume of such customer from approximately 304,000 contracts to approximately 137,000 contracts from the year ended 31 March 2016 to 31 March 2017 with consistent commission rate from the year ended 31 March 2016 to the year ended 31 March 2017 which was due to a lower risk appetite of this customer in the year ended 31 March 2017.

#### *SGX*

Our SGX segment revenue increased by approximately 58.1% from approximately HK\$7.4 million to approximately HK\$11.7 million between each of the two years ended 31 March 2016 and 31 March 2017, representing approximately 12.2% and 19.5% of the total revenue for each of the two years ended 31 March 2016 and 31 March 2017 respectively.

The substantial revenue increase was mainly driven by the increase in trading volume for the period. From the year ended 31 March 2016 to the year ended 31 March 2017, the number of futures contracts executed on the SGX by our Group through execution brokers increased by approximately 61.5% from approximately 1.3 million contracts to 2.1 million contracts. The increase was mainly due to the increase in trading volume from Customer F from approximately 74 thousand contracts for the year ended 31 March 2016 to approximately 303 thousand contracts for the year ended 31 March 2017, which was due to the increase in trading of SGX FTSE China A50 Futures.

## FINANCIAL INFORMATION

### *OTC*

Our OTC segment revenue decreased by approximately 30.0% from approximately HK\$2.0 million to approximately HK\$1.4 million between each of the two years ended 31 March 2016 to 31 March 2017. The decrease was attributable to the decrease in number of customers from 21 customers for the year ended 31 March 2016 to 18 customers for the year ended 31 March 2017.

### **Staff costs**

#### *Salaries*

Our salaries decreased from approximately HK\$28.3 million for the year ended 31 March 2016 to approximately HK\$27.2 million for the year ended 31 March 2017. The decrease was mainly due to the resignation of a senior licensed broker in August 2016 adjusted by the general increase in salaries of staff.

#### *Provident fund contribution*

For each of the two years ended 31 March 2016 and 31 March 2017, our provident fund contribution was approximately HK\$0.3 million and HK\$0.3 million, respectively. The contribution remained consistent over the Track Record Period.

#### *Other allowance*

Other allowance included miscellaneous expenses such as reimbursement of office expenses paid by our staff. Our other allowance decreased from approximately HK\$107 thousand for the year ended 31 March 2016 to approximately HK\$57 thousand for the year ended 31 March 2017. It was mainly due to less amount spent for staff function.

### **Other operating expenses**

Our other operating expenses increased from approximately HK\$15.1 million for the year ended 31 March 2016 to approximately HK\$17.8 million for the year ended 31 March 2017. The increase was mainly due to the increase in clearing fees, error and facilitation expenses and marketing expenses.

#### *Clearing fees*

Our Group recorded an increase in clearing fee from approximately HK\$5.5 million for the year ended 31 March 2016 to approximately HK\$6.4 million for the year ended 31 March 2017. The increase was mainly due to the addition of Service Provider B, which charged approximately HK\$1.6 million clearing fees for the year ended 31 March 2017, and the increase of fees charged by Service Provider C of approximately HK\$0.7 million adjusted by the decrease of fees charged by Service Provider A of approximately HK\$1.4 million for the year ended 31 March 2017. The introduction of Service Provider B to replace Service Provider A was due to better term offered by Service Provider B. The increase of charges by Service Provider C was mainly associated with the increase in trading volume of SGX products.

## FINANCIAL INFORMATION

### *Error and facilitation expenses*

Our error and facilitation expenses increased from approximately HK\$2.8 million for the year ended 31 March 2016 to approximately HK\$3.4 million for the year ended 31 March 2017. The increase was mainly due to the error trade occurred as at the end of March 2016 which led to the recognition of non-recurring expenses of approximately HK\$0.7 million for the year ended 31 March 2016 and approximately HK\$1.1 million for the year ended 31 March 2017.

During the Track Record Period, our Group identified one material error trade amounted to approximately HK\$1.8 million. Our Group received a trade order in March 2016 and the trade order was executed by our execution broker right before a long public holiday. Since our licensed brokers rebooted the trading system over the holiday and failed to check the executions executed by the execution broker after the holiday, they failed to confirm our customer the executions of the trading order. Our clearing broker also delayed to notify us and therefore our customer refused to accept the late allocation order. Our Group subsequently had to settle the trade order under our own account in March 2016 and April 2016 which led to a material loss.

### *Information system expenses*

Our information system expenses increased from approximately HK\$2.2 million for the year ended 31 March 2016 to approximately HK\$2.4 million for the year ended 31 March 2017. The increase was mainly due to the increase in the fees paid to the largest information system service provider. Our information system expenses to Service Provider F increased from approximately HK\$1.7 million for the year ended 31 March 2016 to approximately HK\$1.9 million for the year ended 31 March 2017. The increase was mainly due to the increase in the usage of the information system for the corresponding period.

### *Marketing expenses*

Our marketing expenses increased from approximately HK\$1.4 million for the year ended 31 March 2016 to approximately HK\$2.1 million for the year ended 31 March 2017. The increase was mainly due to the increase in expenses for social events for building and maintaining customer relationships.

### *Office rent*

Our office rent for each of the years ended 31 March 2016 and 31 March 2017 was approximately HK\$0.9 million and HK\$0.9 million, respectively. Our office rent remained consistent as our Group paid for the same office throughout the corresponding year.

### *Exchange fees*

For each of the two years ended 31 March 2016 and 31 March 2017, our exchange fee was approximately HK\$0.5 million and HK\$0.5 million, respectively. The charges remained consistent over the corresponding year.



## FINANCIAL INFORMATION

### *Insurance*

For each of the two years ended 31 March 2016 and 31 March 2017, our insurance charges were approximately HK\$0.4 million and HK\$0.4 million, respectively. The charges remained consistent over the Track Record Period.

### *Others*

Our other expenses remained consistent for the years ended 31 March 2016 and 31 March 2017 at approximately HK\$1.5 million and HK\$1.6 million.

### **Taxation**

For each of the two years ended 31 March 2016 and 31 March 2017, the effective tax rate of approximately 16.4% and 16.6% respectively was close to the profit tax rate of 16.5% in Hong Kong.

### **Profit for the year**

As a result of the foregoing, our profit for the period decreased by approximately HK\$1.6 million or 11.9% from approximately HK\$13.5 million for the year ended 31 March 2016 to approximately HK\$11.9 million for the year ended 31 March 2017. Our net profit margin was approximately 22.4% and 19.8% for each of the years ended 31 March 2016 and 31 March 2017 respectively, which is primarily due to the increase in clearing fees and error and facilitation expenses. The clearing fees increased from approximately HK\$5.5 million for the year ended 31 March 2016 to HK\$6.4 million for the year ended 31 March 2017. The error and facilitation expenses increased from approximately HK\$2.8 million for the year ended 31 March 2016 to HK\$3.4 million for the year ended 31 March 2017. Together with the slight decrease in revenue from approximately HK\$60.2 million for the year ended 31 March 2016 to approximately HK\$59.8 million for the year ended 31 March 2017, the combined effect of the abovementioned items led to the decrease in our net profit.

*Year ended 31 March 2018 compared with year ended 31 March 2017*

### **Revenue**

Our total revenue increased by approximately 28.5% from approximately HK\$59.8 million for the year ended 31 March 2017 to approximately HK\$76.8 million for the year ended 31 March 2018. The increase in revenue was mainly due to the increase in revenue from the HKEx segment and the OTC segment offset by the decrease in the SGX segment.

### *HKEx*

Our commission income derived from our HKEx segment increased by approximately 37.0% from approximately HK\$46.7 million for the year ended 31 March 2017 to approximately HK\$64.0 million for the year ended 31 March 2018. The increase was driven by the increase in trading volume of single stock option for the year ended 31 March 2018.

## FINANCIAL INFORMATION

The increase in revenue attributable from single stock option was mainly driven by liquidity of a single stock during the year ended 31 March 2018. According to the Stock Exchange, the total trading volume of the single stock increased from approximately 4.0 billion from April 2016 to March 2017 to approximately 6.1 billion from April 2017 to March 2018. The revenue attributable to our single stock option from that particular stock was approximately HK\$1.4 million and HK\$8.7 million for the two years ended 31 March 2017 and 31 March 2018 respectively. With the increase in liquidity of that particular stock and hence increase in trading volume and commission received by our Group, the revenue from the HKEx segment increased for the corresponding period.

### *SGX*

Revenue from the SGX segment decreased by approximately 31.6% from approximately HK\$11.7 million for the year ended 31 March 2017 to approximately HK\$8.0 million for the year ended 31 March 2018.

The decrease in revenue was mainly driven by the decrease in trading volume for the period. From the year ended 31 March 2017 to the year ended 31 March 2018, the number of futures contracts executed on SGX by our Group through execution brokers decreased by approximately 28.6% from approximately 2.1 million contracts to 1.5 million contracts. The decrease was mainly due to the decrease in trading volume from Customer F from approximately 303 thousand contracts for the year ended 31 March 2017 to approximately 16 thousand contracts for the year ended 31 March 2018. To the best knowledge of the Directors, the drop was attributable to the decrease in trading of SGX FTSE China A50 Futures which was attributable to the downsize of Customer F in SGX segment.

### *OTC*

Our revenue from the OTC segment increased by approximately 235.7% from approximately HK\$1.4 million for the year ended 31 March 2017 to approximately HK\$4.7 million for the year ended 31 March 2018. The increase was attributable to the increase in number of customers from 18 for the year ended 31 March 2017 to 27 for the year ended 31 March 2018. To the best knowledge of the Directors, the increase in number of customers participated in OTC segment was due to the internal risk policy of customers in trading HKEx futures and hence executed trades through OTC segment.

### **Staff costs**

#### *Salaries*

Our salaries increased from approximately HK\$27.2 million for the year ended 31 March 2017 to approximately HK\$41.4 million for the year ended 31 March 2018. The increase was primarily attributable to the recruitment of an executive Director in June 2017 and a senior licensed broker in October 2017. The increase in salaries was also attributable to the increase in revenue and hence bonus paid to licensed brokers.

## FINANCIAL INFORMATION

### *Provident fund contribution*

For the two years ended 31 March 2017 and 31 March 2018, our provident fund contribution was approximately HK\$0.3 million and HK\$0.3 million, respectively. The contribution remained consistent over the corresponding year.

### *Other allowance*

Other allowance increased from approximately HK\$57 thousand to approximately HK\$281 thousand for the two years ended 31 March 2017 and 31 March 2018. The increase was mainly attributable to recruitment cost incurred for recruitment of licensed brokers.

### **Other operating expenses**

Our other operating expenses decreased from approximately HK\$17.8 million for the year ended 31 March 2017 to approximately HK\$16.6 million for the year ended 31 March 2018. The decrease was mainly due to the decrease in clearing fees and errors and facilitation expenses for the year ended 31 March 2018.

### *Clearing fees*

Our clearing fees decreased from approximately HK\$6.4 million for the year ended 31 March 2017 to approximately HK\$5.4 million for the year ended 31 March 2018. The decrease was attributable to replacement of Service Provider A by Service Provider B as Service Provider A charged our Group at a higher rate than Service Provider B.

### *Error and facilitation expenses*

Our error and facilitation expenses decreased from approximately HK\$3.4 million for the year ended 31 March 2017 to approximately HK\$2.1 million for the year ended 31 March 2018. The decrease was mainly attributable to the recognition of approximately HK\$1.1 million non-recurring error trade for the year ended 31 March 2017, which was absented for the year ended 31 March 2018.

### *Information system expenses*

Our information system expenses slightly decreased by approximately HK\$15 thousand from the year ended 31 March 2017 to the year ended 31 March 2018, which remained stable during the year.

### *Marketing expenses*

Our marketing expenses slightly increased from approximately HK\$2.1 million for the year ended 31 March 2017 to approximately HK\$2.3 million for the year ended 31 March 2018, which remained stable during the year.

## FINANCIAL INFORMATION

### *Office rent*

Our office rent for the year ended 31 March 2017 and 31 March 2018 was approximately HK\$0.9 million and HK\$1.1 million, respectively. Our office rent slightly increased as our Group entered into a new tenancy agreement in March 2018 while the previous office remained in use for the year ended 31 March 2018.

### *Exchange fees*

For the year ended 31 March 2017 and 31 March 2018, our exchange fee was approximately HK\$0.5 million and HK\$0.4 million, respectively. The charges remained consistent over the corresponding year.

### *Insurance*

For the year ended 31 March 2017 and 31 March 2018, our insurance charges were approximately HK\$0.4 million and HK\$0.6 million, respectively, which was mainly due to revised premium rate of our medical insurance and the increase in our number of staff from 23 to 25 for the two years ended 31 March 2017 and 31 March 2018.

### *Others*

Our other expenses increased from approximately HK\$1.6 million for the year ended 31 March 2017 to approximately HK\$2.2 million for the year ended 31 March 2018. The increase was mainly due to the upgrading of our voice recording system.

### **Taxation**

For the year 31 March 2018, the effective tax rate of approximately 16.4% (excluding [REDACTED]) was close to the profit tax rate of 16.5% in Hong Kong.

### **Profit for the year**

Our Group recorded profit of approximately HK\$4.8 million for year ended 31 March 2018, as opposite to a profit of approximately HK\$11.9 million for the year ended 31 March 2017, which was mainly due to the recognition of non-recurring [REDACTED] of approximately HK\$[REDACTED] for the year ended 31 March 2018 (compared to nil for the year ended 31 March 2017). If the non-recurring [REDACTED] of approximately HK\$[REDACTED] were excluded, our profit for the year ended 31 March 2018 would be approximately HK\$[REDACTED] (being higher than the profit of approximately HK\$11.9 million for the year ended 31 March 2017), mainly due to the increase in revenue during the corresponding year as discussed above and our net profit margin would be approximately 20.0% (similar with the net profit margin of approximately 19.8% for the year ended 31 March 2017).

## FINANCIAL INFORMATION

### Continuing development and growth of revenues of our Group between 2014 and 2018

Our Group's business continued to develop and grow as shown in the table below:

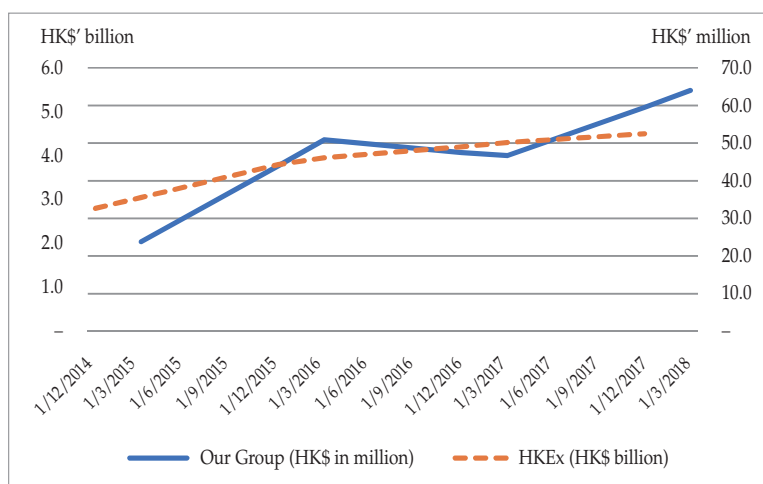
For the year ended 31 March	Revenue of our Group <i>HK' million</i>
2014	23.3
2015	31.5
2016	60.2
2017	59.8
2018	76.8

In particular:

- (i) as shown by the table above, the total revenues of our Group have continued to grow from the year ended 31 March 2014 to the year ended 31 March 2018 with a CAGR of approximately 26.9%; and
- (ii) the range of products which were made available by our Group continued to grow over the years, from initially focusing on HKEx brokerage services to introducing SGX brokerage services in 2013, when Mr. Choi, Mr. Lee, Mr. Fung, and Mr. Ng joined De Riva, which is attributable to approximately 12.2%, 19.5% and 10.5% of our total revenue for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018 respectively.

The following tables show that there is somewhat of a correlation between the total amount of brokerage fees generated by HKEx brokerage service of our Group with the total amount of brokerage fees generated from derivatives broking activities in Hong Kong.

*Brokerage fees generated by our Group v.s. total amount of brokerage fees from derivatives broking activities, Hong Kong*



Source: CIC

## FINANCIAL INFORMATION

The brokerage fees of our Group generated from the HKEx segment increased from approximately HK\$23.8 million for the year ended 31 March 2015 to approximately HK\$64.0 million for the year ended 31 March 2018 at a CAGR of approximately 28.1%. The total amount of brokerage fees generated from Hong Kong derivatives broking activities increased from approximately HK\$2.8 billion for 2014 to approximately HK\$4.5 billion for 2017 at a CAGR of approximately 12.6%. The higher CAGR of brokerage fees of our Group generated from HKEx segment of approximately 28.1% than the CAGR total amount of brokerage fees from derivatives brokerage activities in Hong Kong of approximately 12.6% was mainly due to the growth in business activities of our Group driven by the joining of Mr. Choi, Mr. Lee, Mr. Fung and Mr. Ng in De Riva as senior management in 2013, including the onboarding of new customers and the maintaining of the then existing customers of our Group.

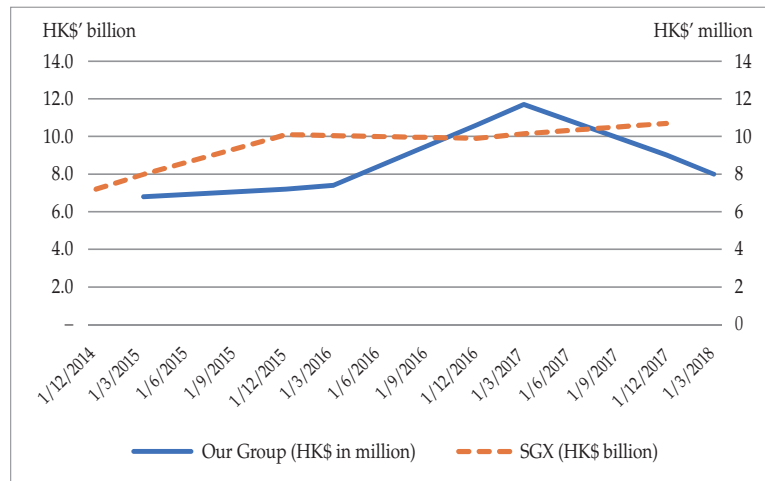
From the year ended 31 March 2015 to the year ended 31 March 2016, our performance was in line with the overall performance of the market, i.e. increased from approximately HK\$2.8 billion in 2014 to approximately HK\$3.8 billion in 2015. Our revenue generated from HKEx segment increased from approximately HK\$23.8 million for the year ended 31 March 2015 to approximately HK\$50.9 million for the year ended 31 March 2016, as to the effort of our Directors and senior management in facilitating the information flow and the price discovery process during matching and/or executing and settling derivatives trade orders for our customers.

From the year ended 31 March 2016 to the year ended 31 March 2017, the brokerage fees generated by our Group from the HKEx segment declined from approximately HK\$50.9 million for the year ended 31 March 2016 to approximately HK\$46.7 million for the year ended 31 March 2017, while total brokerage fees generated from Hong Kong derivatives brokerage activities increased from approximately HK\$3.8 billion in 2015 to approximately HK\$4.2 billion in 2016. For further details regarding the decline of our Group's HKEx segment revenue, please refer to paragraph headed "Comparison of results of operations — Revenue" in this section.

From the year ended 31 March 2017 to the year ended 31 March 2018, the brokerage fees generated by our Group from the HKEx segment increased from approximately HK\$46.7 million to approximately HK\$64.0 million, while total brokerage fees generated from Hong Kong derivatives brokerage activities increased from approximately HK\$4.1 billion in 2016 to approximately HK\$4.5 billion in 2017. For further details regarding the increase of our Group's HKEx segment revenue, please refer to paragraph headed "Comparison of results of operations — Revenue" in this section.

## FINANCIAL INFORMATION

*Brokerage fees generated by our Group v.s. total amount of brokerage fees from derivatives broking activities, Singapore*



Source: CIC

The brokerage fees of our Group generated from the SGX segment increased from approximately HK\$6.8 million for the year ended 31 March 2015 to approximately HK\$11.7 million for the year ended 31 March 2017 at a CAGR of approximately 19.8%. The total amount of brokerage fees from Singapore derivatives broking activities increased from approximately HK\$7.2 billion in 2014 to approximately HK\$9.9 billion in 2016 at a CAGR of approximately 11.2%. The higher CAGR of brokerage fees of the Group generated from the SGX segment of approximately 19.8% than the CAGR total amount of brokerage fees from derivatives brokerage activities in Singapore of approximately 11.2% was mainly due to the growth in business activities of our Group driven by the joining of Mr. Choi, Mr. Lee, Mr. Fung and Mr. Ng in De Riva as senior management in 2013, including the onboarding of new customers and the maintaining of the then existing customers of the Group.

For comparison of brokerage fees of our Group generated from SGX segment to brokerage fees from derivatives brokerage activities in Singapore for the year ended 31 March 2018, please refer to the paragraph below in the prospectus.

To minimise the impact from unpredictable decrease in commission rate of HKEx derivatives, it is the strategies of our Group to expand our product coverage to include OTC KOSPI, OTC Eurex MSCI derivatives. For further details, please refer to the section headed “Business — Our business strategies” in the prospectus. Furthermore, our Directors believe that our Group’s SGX products which covered mainly delta one products, including rolls on SGX FTSE China A50 Index Futures, MSCI Singapore Index Futures and MSCI Taiwan Index Futures remain attractive for customers of our Group, for details please refer to the section headed “Industry overview — Derivatives brokerage market overview — Drivers of the derivatives brokerage market in Singapore” in the prospectus.



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From the year ended 31 March 2015 to the year ended 31 March 2016, the growth in revenue generated from the SGX segment by our Group from approximately HK\$6.8 million for the year ended 31 March 2015 to approximately HK\$7.4 million for the year ended 31 March 2016 was lower than the growth in revenue generated from derivative brokerage activities in Singapore market from approximately HK\$7.2 billion in 2014 to approximately HK\$10.1 billion in 2015. Our Directors believed that this was mainly due to our Group's focus on the HKEx segment during the period.

From the year ended 31 March 2016 to the year ended 31 March 2017, our Group sustained an increase in revenue generated from the SGX segment from approximately HK\$7.4 million for the year ended 31 March 2016 to approximately HK\$11.7 million for the year ended 31 March 2017, compared to a slight decrease in the brokerage fees of derivatives brokerage activities in Singapore from approximately HK\$10.1 billion in 2015 to approximately HK\$9.9 billion in 2016. The increase was mainly due to the increase in trading volume from Customer F from approximately 74 thousand contracts to approximately 303 thousand contracts which was due to the increase in trading volume of SGX FTSE China A50 Futures.

From the year ended 31 March 2017 to the year ended 31 March 2018, our Group's revenue generated from the SGX segment decreased from approximately HK\$11.7 million to approximately HK\$8.0 million, compared to the continuous increase in the brokerage fees of derivatives brokerage activities in Singapore from approximately HK\$9.9 billion in 2016 to approximately HK\$10.7 billion in 2017, mainly due to the decrease in number of futures contracts executed on SGX by our Group. To the best knowledge of the Directors, the drop was attributable to the decrease in trading of SGX FTSE China A50 Futures which was attributable to the downsize of Customer F in SGX segment.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flow analysis

During the Track Record Period, our Group financed our operations primarily through internally generated cash flows. Following the completion of the [REDACTED], our Group expects its capital expenditure and working capital requirement to be funded principally through internally generated cash flows and the [REDACTED] from the [REDACTED]. 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 or bank and other borrowings.



## FINANCIAL INFORMATION

The following table sets out our combined statements of cash flows for the three years ended 31 March 2016, 2017 and 2018, respectively, as derived from the Accountants' Report set out in Appendix I to this document:

	<b>For the year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating cash flows before movements in working capital	16,462	14,427	7,988
Net cash from operating activities	4,524	10,234	4,028
Net cash used in investing activities	(559)	(41)	(1,618)
Net cash used in financing activities	(860)	–	(4,000)
	3,105	10,193	(1,590)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at the beginning of the year	8,895	12,000	22,193
Cash and cash equivalents at the end of the year	12,000	22,193	20,603

### *Net cash from operating activities*

Our Group derived our cash flow from operating activities primarily through commission fee received from brokerage service. Cash outflow from operating activities primarily comprises of increment in trade receivables, prepayments, deposits and other receivables and payment of other payables and accruals. Our net cash from operating activities reflects our profit before taxation, as adjusted for non-cash items, such as depreciation of property and equipment and the effects of changes in working capital items.

For the year ended 31 March 2016, our Group had net cash from operating activities of approximately HK\$4.5 million. This amount represents the operating cash flows before movements in working capital of approximately HK\$16.4 million, together with the increase in other payables and accruals of approximately HK\$3.0 million adjusted by the increase in trade receivables of approximately HK\$5.2 million, the increase in prepayments, deposits and other receivables of approximately HK\$8.4 million and profit tax paid of approximately HK\$1.3 million. The net working capital outflow was primarily attributable to the increase in trade receivables, prepayments, deposits and other receivables, partially adjusted by the increase in other payables and accruals.

For the year ended 31 March 2017, our Group had net cash from operating activities of approximately HK\$10.2 million. This amount represents the operating cash flows before movements in working capital of approximately HK\$14.4 million, together with the

## FINANCIAL INFORMATION

decrease in trade receivables of approximately HK\$0.1 million and the decrease in prepayments, deposits and other receivables of approximately HK\$1.4 million adjusted by the decrease in other payables and accruals of approximately HK\$1.0 million and profit tax paid of approximately HK\$4.7 million. The net working capital inflow was primarily attributable to the decrease in prepayments, deposits and other receivables, partially adjusted by the decrease in other payables and accruals.

For the year ended 31 March 2018, our Group had net cash from operating activities of approximately HK\$4.0 million. This amount represents the operating cash flows before movements in working capital of approximately HK\$8.0 million, together with the increase in other payables and accruals of approximately HK\$6.7 million adjusted by the increase in trade receivables of approximately HK\$5.8 million, the increase in prepayments, deposits and other receivables of approximately HK\$2.8 million and tax paid of approximately HK\$2.1 million. The net working capital outflow was primarily attributable to the increase trade receivables and prepayments, deposits and other receivables, partially adjusted by the increase in other payables and accruals.

### *Net cash used in investing activities*

Our cash used in investing activities primarily comprises of purchase of property and equipment, intangible assets and deposits paid for acquisitions of property and equipment.

For the year ended 31 March 2016, our Group had net cash used in investing activities of approximately HK\$0.6 million. This amount primarily represents purchase of intangible assets of approximately HK\$0.5 million and purchase of property and equipment of approximately HK\$0.1 million.

For the year ended 31 March 2017, our Group had net cash used in investing activities of approximately HK\$41 thousand. This amount primarily represents purchase of property and equipment of approximately HK\$43 thousand adjusted by interest received of approximately HK\$2 thousand.

For the year ended 31 March 2018, our Group had net cash used in investing activities of approximately HK\$1.6 million. This amount primarily represents the deposit paid for acquisition of property and equipment of approximately HK\$1.5 million and the purchase of property and equipment of approximately HK\$89 thousand.

### *Net cash used in financing activities*

Our cash from financing activities primarily comprises dividend payment.

For the year ended 31 March 2016, our Group had net cash used in financing activities of approximately HK\$0.9 million. This amount represents the dividend paid to the then shareholders of De Riva.

For the year ended 31 March 2017, our Group did not have financing activities.

## FINANCIAL INFORMATION

For the year ended 31 March 2018, our Group had net cash used in financing activities of approximately HK\$4.0 million. This amount represents the dividend paid to the then shareholders of De Riva.

### DISCUSSION OF SELECTED COMBINED STATEMENTS OF FINANCIAL POSITION ITEMS

The following table sets forth the consolidated statements of financial positions as at 31 March 2016, 31 March 2017, and 31 March 2018, details of which are set out in the Accountants' Report in Appendix I to this document.

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>			
Property and equipment	424	267	205
Deposits	–	–	567
Deposits paid for acquisitions of property and equipment	–	–	1,530
Intangible assets	1,000	1,000	1,000
	<u>1,424</u>	<u>1,267</u>	<u>3,302</u>
<b>Current assets</b>			
Trade receivables	15,571	15,445	21,211
Prepayments, deposits and other receivables	10,153	8,790	11,024
Tax recoverable	–	331	–
Cash and cash equivalents	12,000	22,193	21,361
	<u>37,724</u>	<u>46,759</u>	<u>53,596</u>
<b>Current liabilities</b>			
Other payables and accruals	6,241	5,257	11,956
Dividend payable	–	4,000	–
Tax payable	1,995	–	637
Bank overdrafts	–	–	758
	<u>8,236</u>	<u>9,257</u>	<u>13,351</u>
<b>Net current assets</b>	<u>29,488</u>	<u>37,502</u>	<u>40,245</u>
<b>Net assets</b>	<u>30,912</u>	<u>38,769</u>	<u>43,547</u>
<b>Capital and reserves</b>			
Share capital	6,800	6,800	6,800
Reserve	24,112	31,969	36,747
<b>Total equity</b>	<u>30,912</u>	<u>38,769</u>	<u>43,547</u>

## FINANCIAL INFORMATION

### Property and equipment

Our property and equipment comprise mainly computer equipment used for brokerage trading and furniture, fixture, leasehold improvements and office equipment used for our office. The following table sets forth the carrying amount of our property and equipment as at the end of each year of the Track Record Period:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Property and equipment</b>			
Computer equipment	229	147	109
Furniture and fixtures	22	12	6
Leasehold improvements	125	80	79
Office equipment	48	28	11
	424	267	205
	424	267	205

The carrying amount of our property and equipment was approximately HK\$0.4 million, HK\$0.3 million, and HK\$0.2 million as at 31 March 2016, 31 March 2017, and 31 March 2018 respectively.

As at 31 March 2017, our property and equipment remained consistent as our Group did not purchase significant property and equipment during the year. The carrying amount dropped from approximately HK\$0.4 million as at 31 March 2016 to HK\$0.3 million as at 31 March 2017 mainly due to depreciation and amortization charged on the assets adjusted by purchase of office equipment.

As at 31 March 2018, our property and equipment remained consistent as our Group did not purchase significant property equipment during the period. The carrying amount remained at approximately HK\$0.2 million, mainly due to depreciation and amortization charged on the assets adjusted by the purchase of computer equipment and leasehold improvements.

### Deposits paid for acquisitions of property and equipment

The carrying amount of approximately nil, nil and HK\$1.5 million as at 31 March 2016, 2017 and 2018 respectively were deposits for decoration of new office and acquisitions of property and equipment.

### Intangible assets

The carrying amount HK\$1.0 million as at 31 March 2016, 2017 and 2018 were trading rights deposited at HKEx. Trading rights are intangible assets with indefinite useful lives carried at cost less any subsequent accumulated impairment loss. No impairment loss has been recognised during the Track Record Period.

## FINANCIAL INFORMATION

### Trade receivables

Our trade receivables arose from business of dealing in the derivatives contracts during the Track Record Period.

Our balance of trade receivables remained consistent at approximately HK\$15.6 million and HK\$15.4 million as at 31 March 2016 and 2017, respectively. The balance increased to approximately HK\$21.2 million as at 31 March 2018. Despite the decrease of receivable from a customer from approximately HK\$2.5 million as at 31 March 2017 to approximately HK\$0.9 million as at 31 March 2018, the increase was generally in line with the growth in revenue.

Our Group generally allows credit period of 30 days to its trade receivables. Our trade receivables turnover days were approximately 78.5 days, 94.7 days, and 87.2 days as at 31 March 2016, 31 March 2017, and 31 March 2018 respectively, which are longer than the credit period of 30 days our Group granted to our customers, mainly due to the long internal procedure for the settlement of the commission payment of our customers. Given the majority of our customers are reputable and international investment banks, our Directors are of the view that the credit risks and default risks are low, and no bad debt was recorded during the Track Record Period. Before accepting any new customer, our Group will assess the potential customer's credit quality and determines its credit limits. Credit limits are made to customers with a satisfactory trustworthy credit history.

The following is an ageing analysis of trade receivables net of allowance for impairment presented based on the invoice date.

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	6,329	5,029	7,227
31-60 days	3,146	3,823	5,671
61-90 days	2,127	1,825	3,054
91-120 days	481	477	1,240
Over 120 days	3,488	4,291	4,019
<b>Total</b>	<b>15,571</b>	<b>15,445</b>	<b>21,211</b>

As at the Latest Practicable Date, approximately HK\$15.6 million representing approximately 73.6% of our trade receivables outstanding as at 31 March 2018 have been settled. For trade receivables outstanding over 120 days as at 31 March 2018, approximately HK\$2.0 million representing approximately 50.0% have been settled up to the Latest Practicable Date. As abovementioned, given the majority of our customers are reputable and international investment banks and no bad debt was recorded during the Track Record Period, our Directors are of the view that the credit risks and default risks are low and the long outstanding balance could be recovered.

## FINANCIAL INFORMATION

Included in our trade receivables balance are debtors with aggregate carrying amount of approximately HK\$9.2 million, HK\$10.4 million and HK\$14.0 million as at 31 March 2016, 31 March 2017 and 31 March 2018 respectively, which are past due as at the reporting date for which our Group has not provided for impairment loss. Our Group does not hold any collateral over these balances.

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 30 days	3,146	3,823	5,671
31–60 days	2,127	1,825	3,054
61–90 days	481	477	1,240
Over 90 days	3,488	4,291	4,019
<b>Total</b>	<b>9,242</b>	<b>10,416</b>	<b>13,984</b>

Trade receivables that were past due but not impaired related to a number of independent customers that have a track record with us. Based on past experience, our Group believes that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The table below sets forth our trade receivables turnover days during the Track Record Period:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Trade receivables turnover days ( <i>Note</i> )	78.5	94.7	87.2

*Note:* Trade payables turnover days is calculated by dividing the average opening and closing balances of the trade payable for the relevant year by revenue and then multiplied by the number of days in the relevant year.

Our trade receivables turnover days was 78.5 days, 94.7 days, and 87.2 days as at 31 March 2016, 31 March 2017, and 31 March 2018, respectively, the increase in trade receivables turnover days from approximately 78.5 days as at 31 March 2016 to approximately 94.7 days as at 31 March 2017 was mainly due to the slow processing in bill payment by customers. Our Group had actively followed up with customers on bill payment and no bad debt was recorded during the corresponding year.

Our trade receivables turnover days decreased to approximately 87.2 days as at 31 March 2018. It was mainly due to the early settlement of a customer's receivable from approximately HK\$2.5 million as at 31 March 2017 to approximately HK\$0.9 million as at 31 March 2018.

**FINANCIAL INFORMATION**

**Prepayments, deposits and other receivables**

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Prepayments	687	661	1,522
Deposits			
– Deposits placed in clearing brokers	9,058	7,717	9,083
– Rental deposits	277	303	888
– Others	128	109	91
	<u>9,463</u>	<u>8,129</u>	<u>10,062</u>
Other receivables	<u>3</u>	<u>–</u>	<u>7</u>
	<u><u>10,153</u></u>	<u><u>8,790</u></u>	<u><u>11,591</u></u>
Analysed as:			
Current	10,153	8,790	11,024
Non-current (rental deposit)	<u>–</u>	<u>–</u>	<u>567</u>
	<u><u>10,153</u></u>	<u><u>8,790</u></u>	<u><u>11,591</u></u>

The prepayments, deposits and other receivables decreased from approximately HK\$10.2 million as at 31 March 2016 to approximately HK\$8.8 million as at 31 March 2017. It was mainly attributable to the decrease in deposit with Service Provider D of approximately HK\$1.3 million as at 31 March 2017, which was due to the additional deposit placed to Service Provider D at the end of March 2016 for the one-off material error occurred in late March 2016.

The prepayments, deposits and other receivables increased to approximately HK\$11.6 million as at 31 March 2018. It was primarily due to the increase in prepayment of approximately HK\$0.9 million and the increase in deposits placed in a service provider of approximately HK\$2.0 million. The increase in prepayment was mainly due to increase in prepayment to professional advisers of approximately HK\$0.5 million and medical insurance of approximately HK\$0.2 million.

**Other payables and accruals**

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Other payables	1,117	465	264
Accruals	<u>5,124</u>	<u>4,792</u>	<u>11,692</u>
Total	<u><u>6,241</u></u>	<u><u>5,257</u></u>	<u><u>11,956</u></u>

## FINANCIAL INFORMATION

Our other payables and accruals decreased from approximately HK\$6.2 million as at 31 March 2016 to HK\$5.3 million as at 31 March 2017. The decrease was mainly driven by the decrease in other payables from approximately HK\$1.1 million as at 31 March 2016 to HK\$0.5 million as at 31 March 2017. The decrease in other payables was mainly due to decrease in advance payment from customers. The decrease in other payable and accruals was also driven by the decrease in accruals. The decrease in accruals was mainly due to the full settlement of all outstanding balance of Service Provider A during the year ended 31 March 2017.

Our other payables and accruals increased to approximately HK\$12.0 million as at 31 March 2018. The increase was mainly due to the increase in unpaid bonus of approximately HK\$4.1 million and the accrual of [REDACTED] of approximately HK\$[REDACTED].

### NET CURRENT ASSETS AND LIABILITIES

The following table sets out our current assets and current liabilities as at the dates indicated:

	As at 31 March			As at 30 April
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
<b>Current assets</b>				
Trade receivables	15,571	15,445	21,211	16,106
Prepayments, deposits and other receivables	10,153	8,790	11,024	12,813
Tax recoverable	–	331	–	–
Cash and cash equivalents	<u>12,000</u>	<u>22,193</u>	<u>21,361</u>	<u>28,907</u>
	37,724	46,759	53,596	57,826
<b>Current liabilities</b>				
Other payables and accruals	6,241	5,257	11,956	14,430
Dividend payable	–	4,000	–	–
Tax payable	1,995	–	637	979
Bank overdrafts	<u>–</u>	<u>–</u>	<u>758</u>	<u>761</u>
	<u>8,236</u>	<u>9,257</u>	<u>13,351</u>	<u>16,170</u>
<b>Net current assets</b>	<u><u>29,488</u></u>	<u><u>37,502</u></u>	<u><u>40,245</u></u>	<u><u>41,656</u></u>



## FINANCIAL INFORMATION

As at 31 March 2017, our Group had net current assets of approximately HK\$37.5 million, compared with the net current assets of approximately HK\$29.5 million as at 31 March 2016, due of the increase in cash and cash equivalents from approximately HK\$12.0 million as at 31 March 2016 to approximately HK\$22.2 million as at 31 March 2017, which mainly was attributed to the increase in net cash from operating activities of our Group.

As at 31 March 2018, our Group had net current assets of approximately HK\$40.2 million, which was mainly due to the increase in prepayments, deposits and other receivables.

As at 30 April 2018, our Group had net current assets of approximately HK\$41.7 million, which remained stable compared to 31 March 2018.

### CAPITAL EXPENDITURES

Our capital expenditures for the year ended 31 March 2016, 31 March 2017 and 31 March 2018, were approximately HK\$59 thousand, HK\$43 thousand, and HK\$89 thousand respectively. Our capital expenditures principally comprise expenditures for the purchase of computer equipment and addition of leasehold improvements.

	<b>For the year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
– Acquisition of computer equipment	59	43	44
– Addition of leasehold improvements	–	–	45
	<u>          </u>	<u>          </u>	<u>          </u>

### OPERATING LEASE COMMITMENTS AND CAPITAL COMMITMENTS

At the end of each reporting period, our Group had commitments for futures minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>As at 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	604	962	2,007
In the second to fifth year inclusive	–	642	3,540
	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>

Operating lease payments represent rentals payable by our Group for its office premises. Leases are negotiated for an average of three years; and rentals are fixed.

## FINANCIAL INFORMATION

Save as disclosed above, our Group did not have any outstanding contractual and capital commitments as at the Latest Practicable Date.

### INDEBTEDNESS

	As at 31 March			As at 30 April
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
<b>Current</b>				
Bank overdrafts	–	–	758	761
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

As at 31 March 2016, 31 March 2017, 31 March 2018 and 30 April 2018, our Group had bank overdrafts of nil, nil, approximately HK\$0.8 million and HK\$0.8 million, respectively.

	As at 31 March			As at 30 April
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			1% over the interest rate of the collateral deposit	1% over the interest rate of the collateral deposit
Bank overdrafts	–	–	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

As at 31 March 2016, 31 March 2017, 31 March 2018 and 30 April 2018, our Group had unutilised banking facilities amounted to nil, nil, approximately HK\$0.2 million and HK\$0.2 million, respectively.

As confirmed by our Directors, our Group had not defaulted or delayed any payment, and/or breached any of the finance covenants of its banking facilities during the Track Record Period and up to the Latest Practicable Date.

### Contingent liabilities

As at 31 March 2018 and up to the Latest Practicable Date, our Group did not have any guarantees or other material contingent liabilities.

Our Directors confirm that up to the Latest Practicable Date, there had been no material change in our contingent liabilities since 31 March 2018.

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### Disclaimer

Our Directors confirm that (i) there has not been any material change in our Group’s indebtedness and contingent liabilities since 31 March 2018 and up to the Latest Practicable Date; and (ii) our Directors are not aware of any material defaults in payment of our Group’s trade and non-trade payables during the Track Record Period and up to the Latest Practicable Date. Save as disclosed in sub-section headed “Indebtedness” in this section, our Group did not have, at the close of business on 31 March 2018, any loan capital issued and outstanding or agreed to be issued, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

### WORKING CAPITAL

Our Directors believe that after taking into account the financial resources available to our Group, including internally generated funds, available banking facilities and the estimated [REDACTED] from the [REDACTED], our Group has sufficient working capital for our present working capital requirements for at least the next 12 months commencing from the date of this document.

### OFF-BALANCE SHEET TRANSACTIONS

As at the Latest Practicable Date, our Group did not have any material off-balance sheet arrangements (including any outstanding, off-balance sheet guarantees or foreign currency forward contracts) or contingencies (except as disclosed under the paragraph headed “Indebtedness — Contingent liabilities” in this section).

### KEY FINANCIAL RATIOS

The following table sets out the key financial ratios of our Group during the Track Record Period as at the dates indicated:

	For the year ended/As at 31 March			
	2016	2017	2018	2018 (adjusted <sup>(8)</sup> )
<b>Profitability ratios</b>				
Return on equity <sup>(1)</sup>	43.6%	30.6%	11.0%	35.3%
Return on total assets <sup>(2)</sup>	34.5%	24.7%	8.4%	27.0%
Net profit margin <sup>(3)</sup>	22.4%	19.8%	6.2%	20.0%
<b>Liquidity ratio</b>				
Current ratio <sup>(4)</sup>	4.6 times	5.1 times	4.0 times	4.0 times
<b>Capital adequacy ratios</b>				
Interest coverage <sup>(5)</sup>	N/A	2,032.7 times	206.3 times	485.5 times
Gearing ratio <sup>(6)</sup>	N/A	N/A	1.7%	1.7%
Debt to equity ratio <sup>(7)</sup>	Net cash	Net cash	Net cash	Net cash

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*Notes:*

1. The calculation of return on equity is based on profit for the year divided by total equity and multiplied by 100%.
2. The calculation of return on total assets is based on profit for the year divided by total assets and multiplied by 100%.
3. Net profit margin is calculated by the profit for the year divided by the revenue for the respective year.
4. The calculation of current ratio is based on current assets divided by current liabilities.
5. Interest coverage is based on profit before interest and tax divided by finance costs for the year.
6. The calculation of gearing ratio is based on the total loans and borrowings divided by total equity.
7. Debt to equity ratio is calculated by dividing net debt (total loans and borrowings net of cash and cash equivalents) by total equity at the end of the respective year and expressed as a percentage.
8. The ratios are calculated by adjusted net profit from the non-recurring [REDACTED] incurred for the respective year. Adjusted net profit for the year represents our profit for the year excluding [REDACTED]. Adjusted net profit is not a measure of performance under HKFRSs and accounting principles generally accepted in Hong Kong. The use of these non-HKFRSs measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under HKFRSs.

Please refer to sub-section headed "Factors affecting our results of operations" in this section for a discussion of the factors affecting our net profit margin during the Track Record Period.

### **Return on equity**

Our return on equity decreased from approximately 43.6% for the year ended 31 March 2016 to approximately 30.6% for the year ended 31 March 2017. The decrease in return on equity was attributable to the decrease in net profit from approximately HK\$13.5 million for the year ended 31 March 2016 to approximately HK\$11.9 million for the year ended 31 March 2017, and the increase in total equity from approximately HK\$30.9 million as at 31 March 2016 to approximately HK\$38.8 million as at 31 March 2017.

Our return on equity for the year ended 31 March 2018 further decreased to approximately [REDACTED]%. The adjusted return on equity for the year ended 31 March 2018 would be approximately [REDACTED]% if [REDACTED] were excluded, an increase from 30.6% for the year ended 31 March 2017, mainly due to the increase in net profit (excluding the non-recurring [REDACTED] of approximately HK\$[REDACTED]) of HK\$[REDACTED].

### **Return on total assets**

Our return on total assets was approximately 34.5% and 24.7% for the two years ended 31 March 2016 and 2017 respectively. The return on total assets decreased mainly due to the significant increase in cash and cash equivalents of approximately HK\$12.0

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million as at 31 March 2016 to HK\$22.2 million as at 31 March 2017 and decrease in profit from approximately HK\$13.5 million for the year ended 31 March 2016 to approximately HK\$11.9 million for the year ended 31 March 2017.

Our return on assets for the year ended 31 March 2018 further decreased to approximately [REDACTED]%. The adjusted return on assets for the year ended 31 March 2018 would be approximately [REDACTED]% if [REDACTED] were excluded, an increase from 24.7% for the year ended 31 March 2017, mainly due to the increase in net profit (excluding the non-recurring [REDACTED] of approximately HK\$[REDACTED]) of HK\$[REDACTED].

### Net profit margin

Our net profit margin was approximately 22.4% and 19.8% for the two years ended 31 March 2016 and 2017 respectively. Our net profit margin decreased mainly due to the increase in the other operating expenses, in particular the clearing fees, error and facilitation expenses and marketing expenses.

Our net profit margin for the year ended 31 March 2018 further decreased to approximately 6.2%. The net profit margin for the year ended 31 March 2018 would be approximately 20.0% if [REDACTED] were excluded, an increase from 19.8% for the year ended 31 March 2017, mainly due to the increase in revenue of approximately 28.5% with a decrease in other operating expenses of approximately 6.4% during the year.

### Current ratio

Our current ratio improved from approximately 4.6 times as at 31 March 2016 to approximately 5.1 times as at 31 March 2017. The improvement is mainly due to the significant increase in cash and cash equivalents of approximately HK\$12.0 million as at 31 March 2016 to approximately HK\$22.2 million as at 31 March 2017 mainly resulting from the profit in the year ended 31 March 2017.

Our current ratio decreased to approximately 4.0 times as at 31 March 2018, which is mainly due to the increase in other payables and accruals from approximately HK\$[REDACTED] as at 31 March 2017 to approximately HK\$[REDACTED] as at 31 March 2018, mainly resulting from the increase in unpaid bonus of approximately HK\$4.1 million and the accrual of [REDACTED] of approximately HK\$[REDACTED] offset by settlement of dividend payable of approximately HK\$4.0 million.

### Interest coverage

Our interest coverage was not applicable and approximately 2,032.7 times for the two years ended 31 March 2016 and 2017 respectively, due to the overdraft interest of approximately HK\$7 thousand incurred for the year ended 31 March 2017.

Our interest coverage decreased to approximately 206.3 times for the year ended 31 March 2018, primarily due to the recognition of non-recurring [REDACTED] of approximately HK\$[REDACTED] for the year ended 31 March 2018. The adjusted interest

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coverage for the year ended 31 March 2018 would be approximately [REDACTED] times if [REDACTED] were excluded, a decrease from approximately [REDACTED] times for the year ended 31 March 2017, mainly due to the finance cost incurred from the bank overdraft during the year.

### Gearing ratio

Our gearing ratio was not applicable as at 31 March 2016 and 31 March 2017 respectively as there were no loans and borrowings during the period.

Our gearing ratio was approximately 1.7% as at 31 March 2018, which was mainly attributable to the bank overdraft of approximately HK\$758 thousand as at 31 March 2018.

### Debt to equity ratio

Our Group recorded net cash positions as at 31 March 2016, 31 March 2017 and 31 March 2018 and therefore debt to equity ratio was not applicable.

## RELATED PARTY TRANSACTIONS

Our Directors confirm that all transactions with related parties described in Note 27 of the Accountants' Report set out in Appendix I to this document were conducted on normal commercial term and/or on terms not less favourable than terms available from Independent Third Parties, which are considered fair, reasonable and in the interest of the Shareholders of our Company as a whole.

### Compensation to key management personnel

The remuneration of directors and other key management personnel of our Group during the Track Record Period were as follow:

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	10,454	10,382	20,400
Post-employment benefits	<u>72</u>	<u>72</u>	<u>86</u>
Total	<u><u>10,526</u></u>	<u><u>10,454</u></u>	<u><u>20,486</u></u>

The remuneration of key management personnel of our Group is determined by our Directors having regard to the performance of the individuals and market trends.

## PROPERTY INTERESTS

During the Track Record Period and up to the Latest Practicable Date, our Group did not own any property.

## FINANCIAL INFORMATION

### QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our Group is exposed to various types of market risks in the normal course of our business, including credit risk, interest rate risk, currency risk and liquidity risk.

#### **Credit risk**

The trade receivables and cash and cash equivalents represent our Group's major exposure to the credit risk arising from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the combined statements of financial position.

In order to minimise the credit risk, our management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, our Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Our Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

All of the balances with bank were deposited in a reputable large commercial bank with high credit rating.

#### **Interest rate risk**

Our Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances which carrying interest at prevailing market rates.

Our Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

Our Group's exposure to interest rate risk in relation to variable-rate bank balances is minimal as the amount involved is insignificant, hence, no sensitivity analysis is prepared.

#### **Liquidity risk**

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows.

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All financial liabilities are non-interest bearing, except for bank overdrafts which are interest bearing, and their maturity dates are either within one year or repayable on demand.

All carrying amounts of financial liabilities are approximate to the undiscounted cash flows due to the short maturity.

### Currency risk

During the Track Record Period, our Group had certain bank balances and trade balances denominated in the USD, JPY, SGD, EUR, AUD and GBP.

Our Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. For detailed breakdown of our Group's foreign currency denominated monetary assets and liabilities, please refer to Note 7 of the Accountants' Report in Appendix I to this document.

### UNAUDITED PRO FORMA ADJUSTED COMBINED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted combined net tangible assets of our Group is prepared on the basis of the notes set forth below, for the purpose of illustrating the effect of the [REDACTED] as if it had taken place on 31 March 2018. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true picture of the financial position of our Group after the [REDACTED] or at any future dates.

[REDACTED]



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[REDACTED]

### DISTRIBUTABLE RESERVES

Our Company was incorporated on 1 November 2017. As at the Latest Practicable Date, our Company had no reserves available for distribution to our Shareholders.

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### DIVIDENDS

Our Group declared a dividend of approximately HK\$0.9 million for the year ended 31 March 2015 and HK\$4.0 million for the year ended 31 March 2016 on 17 June 2015 and 29 March 2017 respectively to the then shareholders of De Riva, which was fully settled in cash by our internal resources in June 2015 and April 2017 respectively. Save as the above, no dividend has been paid or declared by other companies comprising our Group during the Track Record Period and up to the Latest Practicable Date.

The declaration, payment and amount of dividends will be at the discretion of our Directors, subject to approval by our Shareholders, and will be dependent upon our earnings, financial conditions, cash requirements and availability, future prospects, contractual restrictions, applicable laws and provisions and other relevant factors. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There is no assurance as to the amount of dividend payment, if any, or the timing of any dividend payment. Our Group does not currently have any predetermined dividend distribution ratio.

### MATERIAL ADVERSE CHANGE

From 1 April 2018 up to the Latest Practicable Date, our Group has continued to focus on developing our derivative brokerage business. Our Directors confirm that, save as the [REDACTED] set out in the paragraph headed "[REDACTED]" in this section, up to the date of this document, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2018 (being the date to which the latest audited combined financial statements of our Group were prepared), and there is no event since 31 March 2018 which would materially affect the information shown in the Accountants' Report set out in Appendix I to this document.

### DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

## FUTURE PLANS AND [REDACTED]

### BUSINESS OBJECTIVE AND FUTURE PLANS

Our Directors consider that the Hong Kong derivative market will continue to grow and develop in terms of the market capitalisation, the number of listed derivatives products, and the level of regulation and Professional Investors around the world will be more and more active in derivatives trading in the future. Our Group will endeavour to capitalise the potential growth of the derivative market and plans to proactively participate in the interdealer brokerage business in the Asia Pacific region and based in Hong Kong by continuously providing quality and timely brokerage services to our customers. By adopting the proposed strategies set out in the section headed “Business — Our business strategies” in this document, our Directors believe that our Group would be able to expand our market share, enhance our reputation, and therefore optimise our profitability and returns to our Group and our Shareholders.

Please refer to the section headed “Business — Our business strategies” in this document for details of our future plans.

[REDACTED]

[REDACTED]

**FUTURE PLANS AND [REDACTED]**

[REDACTED]

**FUTURE PLANS AND [REDACTED]**

[REDACTED]

**FUTURE PLANS AND [REDACTED]**

**IMPLEMENTATION PLANS**

Our Group's implementation plans are set forth below for the period from the Latest Practicable Date up to 31 March 2021. Investors should note that the implementation plan is drawn up based on the current economic environment and market condition and the assumptions as set out below in the paragraph headed "Basis and assumptions" of this section. These basis and assumptions are inherently subject to many uncertainties and unpredictable factors. Please refer to the section headed "Risk factors" in this document for details. There is no assurance that our business plans will be materialised in accordance with the estimated time frame or accomplished at all.

**For the period from the Latest Practicable Date to 30 September 2018**

<b>Business strategies</b>	<b>Implementation plans</b>
To use for office expansion plan	To repay the loan used for deposit of rental agreement, deposit of decoration of new office and deposit of purchase of furniture and fixture, pay removal cost of existing equipment, reinstate existing office, pay IT infrastructure cost, employ IT consultant and software

**For the six months ending 31 March 2019**

<b>Business strategies</b>	<b>Implementation plans</b>
To introduce Eurex MSCI derivatives products	To employ two licensed brokers for the business development of OTC Eurex MSCI derivatives market

**For the six months ending 30 September 2019**

<b>Business strategies</b>	<b>Implementation plans</b>
To apply for becoming a Clearing Participant	To fulfill the liquid capital deposit requirement, fulfill the capital requirement for futures Clearing Participant deposit, fulfill the capital requirement for single stock options Clearing Participant deposit, fulfill the cash flow requirement, employ two operation officers, one software engineer and one external expert
To introduce OTC KOSPI 200 derivatives products	To employ one senior licensed broker for the business development of OTC KOSPI 200 derivatives market
To enhance the business development of HKEx segment	To employ one senior licensed broker for replacement of one junior licensed broker in HKEx segment

## FUTURE PLANS AND [REDACTED]

During the Track Record Period, our business operations and development were principally financed by the cash generated from our ordinary business operations. We did not apply for any loan from financial institutions during the Track Record Period as we intended to maintain our growth and operations level with a healthy financial position and did not wish to be subject to stringent terms and conditions, such as maintaining significant amount of asset value in our bank accounts for a fixed amount of credit limit, providing personal guarantees from our Controlling Shareholders, providing collaterals and extensive events of defaults, which our Directors believe not to be in the interests of our Group. Therefore, we were able to maintain a low debt level during the Track Record Period. Our Directors had decided to apply for the only facility line from a bank for our recent expansion plan and intend to repay the bank overdraft with the expectable [REDACTED] from the [REDACTED]. For details, please refer to the section headed "Future plans and [REDACTED] — [REDACTED]" In the foreseeable future after [REDACTED], our Directors are unlikely to implement our Group's expansion plans through debt financing.

### BASES AND ASSUMPTIONS

Our Directors have adopted the implementation plan up to 31 March 2021 based on the following general assumptions:

- i. there will be no material changes in the existing political, legal, fiscal or economic conditions and environment in Hong Kong, the PRC and any other places in which any member of our Group carries on or will carry on business;
- ii. there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of our Group operates or will operate or is incorporated;
- iii. the [REDACTED] will be completed in accordance with and as described in the section headed "Structure and conditions of the [REDACTED]" in this document;
- iv. our Group will be able to retain key employees in the management as well as the licensed brokers;
- v. our Group will not be materially affected by any risk factors set out in the section headed "Risk factors" in this document;
- vi. our Group will be able to continue our operation in substantially the same manner as our Group had been operated during the Track Record Period and our Group will also be able to carry out our implementation plans without disruptions which may adversely affect our operations or business objectives in any way;
- vii. there will be no change in the effectiveness of the licences, permits and qualifications obtained by our Group;

**FUTURE PLANS AND [REDACTED]**

- viii. our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which business objectives relate;
- ix. there will be no disasters, natural, political or otherwise, which would materially disrupt our business or operations or cause substantial loss, damage or destruction to its properties or facilities;
- x. the [REDACTED] will be completed in accordance with the terms as described in the section headed "Structure and conditions of the [REDACTED]" in this document;
- xi. there will be no material differences between the actual capital requirements for implementing the above plans and the amounts estimated by us; and
- xii. our Group will be able to recruit suitable staff for our expansion when and as necessary.

[REDACTED]



**FUTURE PLANS AND [REDACTED]**

[REDACTED]

**FUTURE PLANS AND [REDACTED]**

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] and [REDACTED]

[●]

[REDACTED]

[●]

[REDACTED]

[●]

The [REDACTED] is [REDACTED] by the [REDACTED] [REDACTED] under the terms of the [REDACTED] [REDACTED] and is subject to our Company and the [REDACTED] (for itself and on behalf of the [REDACTED]) agreeing on the [REDACTED].

We expect to enter into the [REDACTED] [REDACTED] relating to the [REDACTED] on or around the [REDACTED]. The [REDACTED] will be [REDACTED] by the [REDACTED] [REDACTED] the terms of the [REDACTED] [REDACTED] to be entered into.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## **COMPLIANCE ADVISER'S AGREEMENT**

Under the compliance adviser's agreement made between Red Sun Capital and our Company ("Compliance Adviser's Agreement"), our Company appoints Red Sun Capital and Red Sun Capital agrees to act as the compliance adviser to our Company for the purpose of the GEM Listing Rules for a period from the [REDACTED] 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 [REDACTED], or until the Compliance Adviser's Agreement is terminated, whichever is earlier.

## **SPONSOR'S INDEPENDENCE**

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

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

[REDACTED]

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

[REDACTED]

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

[REDACTED]



**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

[REDACTED]

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

[REDACTED]

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

[REDACTED]

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

[REDACTED]

**STRUCTURE AND CONDITIONS OF THE [REDACTED]**

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]



HOW TO APPLY FOR [REDACTED]

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HOW TO APPLY FOR [REDACTED]

[REDACTED]



HOW TO APPLY FOR [REDACTED]

[REDACTED]

HOW TO APPLY FOR [REDACTED]

[REDACTED]

## APPENDIX I

## ACCOUNTANTS' REPORT

*The following is the text of a report, prepared for inclusion in this document, received from the independent reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.*

### ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DLC ASIA LIMITED AND RED SUN CAPITAL LIMITED

#### INTRODUCTION

We report on the historical financial information of DLC Asia Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-4] to [I-34], which comprises the combined statements of financial position as at 31 March 2016, 2017 and 2018, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the three years ended 31 March 2016, 2017 and 2018 (the "Track Record Period"), statement of financial position of the Company as at 31 March 2018 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-4] to [I-34] forms an integral part of this report, which has been prepared for inclusion in the [REDACTED] of the Company dated [●] (the "[REDACTED]") in connection with the initial [REDACTED] of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

#### DIRECTORS' RESPONSIBILITIES FOR HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 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 Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "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.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

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 risk of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers 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 and presentation set out in note 2 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 included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**OPINION**

In our opinion the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's financial position as at 31 March 2016, 2017 and 2018, of the Group's financial performance and cash flows for the Track Record Period and of the financial position of the Company as at 31 March 2018 in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE 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 [I-4] have been made.

**DIVIDENDS**

We refer to note 16 to the Historical Financial Information which states that an interim dividend has been declared or paid by a Company's subsidiary during the Track Record Period.

No dividend was paid or declared by the Company during the Track Record Period nor has any dividend been proposed since the end of each reporting period.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**NO HISTORICAL FINANCIAL STATEMENTS OF THE COMPANY**

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Yours faithfully,

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

[●]

Practising Certificate Number: [●]

Hong Kong

[DATE]

APPENDIX I

ACCOUNTANTS' REPORT

A. 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 Historical Financial Information in this report was prepared based on the audited financial statements of De Riva Asia Limited ("De Riva") for each of the three years ended 31 March 2016, 2017 and 2018, the management accounts of the Company for the period from 1 November 2017 (date of incorporation) to 31 March 2018 and DLS Capital Limited for the period from 13 October 2017 (date of incorporation) to 31 March 2018 (collectively known as "Underlying Financial Statements"). The Underlying Financial Statements are prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

The Historical Financial Information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

Combined Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 March		
		2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	8	60,206	59,752	76,759
Other income and gains, net	10	66	8	455
Total revenue and other income		60,272	59,760	77,214
Depreciation		(315)	(200)	(151)
Staff costs		(28,691)	(27,553)	(41,974)
[REDACTED]		–	–	[REDACTED]
Other operating expenses		(15,119)	(17,778)	(16,641)
Finance costs	11	–	(7)	(38)
Profit before tax	12	16,147	14,222	7,800
Income tax expense	13	(2,656)	(2,365)	(3,022)
Profit and total comprehensive income for the year attributable to the owners of the Company		13,491	11,857	4,778
Earnings per share	17	N/A	N/A	N/A

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ACCOUNTANTS' REPORT

Combined Statements of Financial Position

	Notes	The Group			The Company
		2016	2017	2018	As at 31 March 2018
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Property and equipment	18	424	267	205	–
Deposits	21	–	–	567	–
Deposits paid for acquisitions of property and equipment		–	–	1,530	–
Intangible assets	19	1,000	1,000	1,000	–
		<u>1,424</u>	<u>1,267</u>	<u>3,302</u>	<u>–</u>
<b>Current assets</b>					
Trade receivables	20	15,571	15,445	21,211	–
Prepayments, deposits and other receivables	21	10,153	8,790	11,024	–*
Tax recoverable		–	331	–	–
Cash and cash equivalents	22	12,000	22,193	21,361	–
		<u>37,724</u>	<u>46,759</u>	<u>53,596</u>	<u>–*</u>
<b>Current liabilities</b>					
Other payables and accruals	23	6,241	5,257	11,956	–
Dividend payable		–	4,000	–	–
Tax payable		1,995	–	637	–
Bank overdrafts	22	–	–	758	–
		<u>8,236</u>	<u>9,257</u>	<u>13,351</u>	<u>–</u>
<b>Net current assets</b>		<u>29,488</u>	<u>37,502</u>	<u>40,245</u>	<u>–</u>
<b>Net assets</b>		<u>30,912</u>	<u>38,769</u>	<u>43,547</u>	<u>–</u>
<b>Capital and reserves</b>					
Share capital	24	6,800	6,800	6,800	–*
Reserve		24,112	31,969	36,747	–
<b>Total equity</b>		<u>30,912</u>	<u>38,769</u>	<u>43,547</u>	<u>–*</u>

\* The balance represents an amount less than HK\$500.

APPENDIX I

ACCOUNTANTS' REPORT

Combined Statements of Changes in Equity

	Attributable to the owners of the Company		
	Share capital <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015	6,800	11,481	18,281
Profit and total comprehensive income for the year	–	13,491	13,491
Dividend recognised as distribution ( <i>note 16</i> )	–	(860)	(860)
At 31 March 2016 and 1 April 2016	6,800	24,112	30,912
Profit and total comprehensive income for the year	–	11,857	11,857
Dividend recognised as distribution ( <i>note 16</i> )	–	(4,000)	(4,000)
At 31 March 2017 and 1 April 2017	6,800	31,969	38,769
Issue of shares of the Company ( <i>note 24</i> )	–*	–	–*
Profit and total comprehensive income for the year	–	4,778	4,778
As at 31 March 2018	<u>6,800</u>	<u>36,747</u>	<u>43,547</u>

\* The balance represents an amount less than HK\$500.



**APPENDIX I**

**ACCOUNTANTS' REPORT**

**Combined Statements of Cash Flows**

	<b>Year ended 31 March</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>			
Profit before tax	16,147	14,222	7,800
Adjustments for:			
Depreciation of property and equipment	315	200	151
Interest income	–*	(2)	(1)
Interest paid	–	7	38
	<u>          </u>	<u>          </u>	<u>          </u>
Operating cash flows before movements in working capital	16,462	14,427	7,988
(Increase) decrease in trade receivables	(5,233)	126	(5,766)
(Increase) decrease in prepayments, deposits and other receivables	(8,419)	1,363	(2,801)
Increase (decrease) in other payables and accruals	3,008	(984)	6,699
	<u>          </u>	<u>          </u>	<u>          </u>
Cash generated from operations	5,818	14,932	6,120
Hong Kong Profits Tax paid	(1,294)	(4,691)	(2,054)
Interest paid	–	(7)	(38)
	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<u>4,524</u>	<u>10,234</u>	<u>4,028</u>
<b>INVESTING ACTIVITIES</b>			
Deposits paid for acquisitions of property and equipment	–	–	(1,530)
Purchase of property and equipment	(59)	(43)	(89)
Purchase of intangible assets	(500)	–	–
Interest received	–*	2	1
	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(559)</u>	<u>(41)</u>	<u>(1,618)</u>
<b>FINANCING ACTIVITIES</b>			
Issue of shares of the Company (note 24)	–	–	–*
Dividends paid	(860)	–	(4,000)
	<u>          </u>	<u>          </u>	<u>          </u>

APPENDIX I

ACCOUNTANTS' REPORT

	Year ended 31 March		
	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
NET CASH USED IN FINANCING ACTIVITY	<u>(860)</u>	<u>–</u>	<u>(4,000)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,105	10,193	(1,590)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	<u>8,895</u>	<u>12,000</u>	<u>22,193</u>
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	<u>12,000</u>	<u>22,193</u>	<u>20,603</u>
Analysis of components of cash and cash equivalents:			
Cash and cash equivalents	12,000	22,193	21,361
Bank overdrafts	<u>–</u>	<u>–</u>	<u>(758)</u>
	<u>12,000</u>	<u>22,193</u>	<u>20,603</u>

\* The balance represents an amount less than HK\$500.

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 1 November 2017 in preparation for the listing of the Company’s shares on the GEM of the Stock Exchange. Its parent is Oasis Green Ventures Limited (“Oasis Green”), a company with limited liability incorporated in the British Virgin Islands (“BVI”). Its ultimate beneficial owner during the Track Record Period is Mr. Yu Kwok Tung.

The addresses of the registered office and the principal place of business of the Company are stated in the “Corporate Information” section of the Prospectus.

Pursuant to a group reorganisation (the “Reorganisation”) as detailed in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company became the holding company of the companies now comprising the Group upon the completion of the Reorganisation on [●].

The Company is an investment holding company. The Company and its subsidiaries were involved in the business of dealing in securities and futures contracts as a futures non-clearing dealer.

The Historical Financial Information is presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company.

At the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particular of which are set out below:

Name of subsidiaries	Place and date of incorporation/operation	Issued and fully paid share capital/registered capital	Percentage of equity interest attributable to the Group			At the date of this report	Principal activities
			2016	31 March 2017	2018		
De Riva Asia Limited (“De Riva”)	Hong Kong 27 July 2009	HK\$6,800,000	100%	100%	100%	100%	Provision of services of dealing in securities and futures contracts as a futures non-clearing broker
DLS Capital Limited	British Virgin Islands 13 October 2017	USD5,000	N/A	N/A	100%	100%	[Investment Holdings]

The statutory financial statements of De Riva for the years ended 31 March 2016 and 2017 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and were audited by Morison Heng CPA Limited, a Certified Public Accountant registered in Hong Kong.

The statutory financial statements of De Riva for the years ended 31 March 2018 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and were audited by SHINEWING (HK) CPA Limited, a Certified Public Accountant registered in Hong Kong.

No audited statutory financial statements have been prepared for the Company and DLS Capital Limited since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.

## APPENDIX I

## ACCOUNTANTS' REPORT

### 2. GROUP REORGANISATION AND BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on [date]. The Group, comprising the Company and its subsidiaries, resulting from the Reorganisation, was directly and/or beneficially owned by the same ultimate beneficial owner, Mr. Yu Kwok Tung, before and after the Reorganisation.

As such, this Reorganisation is effectively interspersing a shell company over the subsidiaries and there was a continuation of risks and benefits to the ultimate beneficial owner. Accordingly, the Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Historical Financial Information of the Group has been prepared on the combined basis as if the Company had always been the holding company of the companies comprising the Group throughout the Track Record Period.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows included the results and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period. The combined statements of financial position of the Group as at 31 March 2016, 2017 and 2018 has been prepared to present the assets and liabilities of the companies comprising the Group as if the current group structure had been in existence as at those dates.

### 3. APPLICATION OF NEW AND REVISED HKFRSS

For the purpose of preparing and presenting the Historical Financial Information of the Track Record Period, the Group has consistently adopted all applicable Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and interpretations issued by the HKICPA which are effective for the accounting periods beginning on 1 April 2017 throughout the Track Record Period.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Lease <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle <sup>2</sup>
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>4</sup> Effective date not yet been determined.

## APPENDIX I

## ACCOUNTANTS' REPORT

The directors of the Company anticipate that, except as described below, the application of the new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

### *HKFRS 9 (2014) Financial Instruments*

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows

- All recognised financial assets that are within the scope of HKFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which is more closely aligned hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be

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determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company has performed a detailed analysis of the Group's financial instruments as at 31 March 2018 based on the fact and circumstances existing at that date. The directors of the Company have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

(a) *Classification and measurement*

The directors of the Company expect to continue recognising initially at fair value for all financial assets which are subsequently measured at amortised costs. The directors of the Company anticipate that the adoption of HKFRS 9 (2014) will not have a material impact on the classification and measurement of the financial assets.

(b) *Impairment*

The directors of the Company expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade receivables and other receivables. The application of the expected credit loss model may result in earlier recognition of credit losses for trade and other receivables and increase the amount of impairment allowance recognised for these items.

The directors of the Company expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported on the Group's results and financial position.

### *HKFRS 15 Revenue from Contracts with Customers*

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- i) Identify the contract with the customer;
- ii) Identify the performance obligations in the contract;
- iii) Determine the transaction price;
- iv) Allocate the transaction price to the performance obligations; and
- v) Recognise revenue when (or as) the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognised revenue when (or as) a performance obligation is satisfied, i.e. when "control" of goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been adopted in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

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HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are provision of services. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over a good or service is transferred to a customer. The directors of the Company have assessed each type of the performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue. Furthermore, HKFRS 15 requires the transaction price to be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements. Apart from providing more extensive disclosures on the Group's revenue transaction, the directors of the Company expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 March 2018.

### *HKFRS 16 Leases*

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 *Leases* and the related interpretations when it becomes effective. HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of HKFRS 16.

As at 31 March 2016, 2017 and 2018, the Group has non-cancellable operating lease commitments of approximately HK\$604,000, HK\$1,604,000 and HK\$5,547,000 respectively as disclosed in note 26. Out of this balance, amounts of approximately HK\$Nil, HK\$642,000 and HK\$3,540,000 respectively represent operating leases with original lease terms of over one year in which the Group will recognise right-to-use assets and corresponding lease liabilities unless they are exempt from the reporting obligations under HKFRS 16. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of HKFRS 16 will not have other material impact on amounts reported in the Group's results and financial position.

#### 4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the GEM Listing Rules and by the Hong Kong Companies Ordinance.

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The Historical Financial Information has been prepared under the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

### **Basis of combination**

The Historical Financial Information incorporates the financial statements of the entities to be controlled by the Company upon the Reorganisation. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

Combination of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the combined statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

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 combination.

### **Revenue recognition**

Revenue is recognised at the fair value of the consideration received or receivable, and represents the amounts receivable for services provided in the normal course of business. Revenue is recognised when it is probable that the economic benefits will flow to the Group and when revenue can be measured reliably, on the following basis:

- Commission income is recognised when the services are rendered; and
- Interest income, on an accrual basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition; and

### **Leasing**

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

#### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the terms of the relevant leases, except where another systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.



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### Property and equipment

Property and equipment are stated in the combined statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of Property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of Property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Intangible assets

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

### Impairment losses on tangible assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets and with finite useful lives to determine whether there is any indication that those 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.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a 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 as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the 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 as income immediately in profit or loss.

### Taxation

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 combined statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

### **Employee benefits**

#### *Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

### **Cash and cash equivalents**

Cash in the combined statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

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For the purpose of the combined statements of cash flows, cash and cash equivalents represent cash as defined above, net of outstanding bank overdrafts.

### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Financial instruments**

Financial assets and financial liabilities are recognised in the combined statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

### *Financial assets*

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

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Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the assets' carrying amount and the present value of the estimated future cash flows discounted at the financial assets' original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account, if applicable. Changes in the carrying amount of the allowance account are recognised in profit or loss. When an account or loan receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Group's financial liabilities are classified into other financial liabilities.

### *Other financial liabilities*

Other financial liabilities including other payables and accruals, dividend payable and bank overdrafts are subsequently measured at the amortised cost, using the effective interest method.

### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

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### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

### *Derecognition*

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the assets' carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

A financial liability is derecognised when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 5. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4 above, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **Key source of estimation uncertainty**

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### *Impairment loss on trade receivables*

The policy for making impairment loss on trade receivables of the Group is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment loss may be required. As at 31 March 2016, 2017 and 2018, the carrying amounts of the trade receivables were approximately HK\$15,571,000, HK\$15,445,000 and HK\$21,211,000 respectively. No impairment allowance had been recognised during the Track Record Period. More details are given in note 20 to the Historical Financial Information.

## 6. CAPITAL RISK MANAGEMENT

Capital comprises of share capital and reserves stated in the Group's statement of financial position. The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for the shareholders and benefits for other stakeholders, by pricing commensurately with the level of risk and by securing access to finance at a reasonable cost.

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The Company manages capital by regularly monitoring its current and expected liquidity requirements. Neither the Company nor subsidiaries, except for De Riva is subject to externally imposed capital requirements. De Riva is regulated by the Securities and Futures Commission ("SFC") and is required to comply with certain minimum capital requirements according to the Securities and Futures Ordinance.

The management monitors De Riva's liquid capital daily and to ensure it meets the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules ("FRR") adopted by the SFC. Under the FRR, De Riva must maintain its liquid capital in excess of HK\$3,000,000. The required information was filed with SFC on a monthly basis. De Riva was in compliance with the capital requirements imposed by FRR during the Track Record Period.

7. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

a) Categories of financial instruments

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
<b>Financial assets</b>			
Loans and receivables (including cash and cash equivalents)	37,037	45,767	52,641
<b>Financial liabilities</b>			
Financial liabilities at amortised cost	6,241	9,257	12,714

b) Financial risk management objectives and policies

The Group's major financial instruments include deposits paid for acquisitions of property and equipment trade receivables, deposits and other receivables, cash and cash equivalents, other payables and accruals and dividend payable.

Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments included credit risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors those exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Credit risk

The trade receivables and cash and cash equivalents represent the Group's major exposure to the credit risk arising from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the combined statements of financial position.

In order to minimise the credit risk, the management has delegated a team responsible to determination of credit limits, credit approvals and other monitoring procedures 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 the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

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All of the balances with bank were deposited in a reputable large commercial bank with high credit rating.

(ii) *Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to its variable-rate bank balances which carrying interest at prevailing market rates.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposure and will consider other necessary action when significant interest rate exposure is anticipated.

The Group's exposure to interest rate risk in relation to variable-rate bank balances is minimal due to the amount involved is not significant, hence, no sensitivity analysis is prepared.

(iii) *Currency risk*

Currency risk is the risk of loss due to adverse movements in foreign exchange rates relating to financial instruments denominated in foreign currency. During the Track Record Period, the Group had certain bank balances and trade balances denominated in the United States dollars ("USD"), Japanese Yen ("JPY"), Singapore dollars ("SGD"), Euro ("EUR"), Australian dollars ("AUD") and British Pound ("GBP").

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities, mainly including bank balances and trade receivables during the Track Record Period are as follows:

	Assets			Liabilities		
	As at 31 March			As at 31 March		
	2016	2017	2018	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
JPY	943	998	1,060	–	–	–
SGD	1,554	1,134	1,625	–	–*	–
USD	7,724	14,005	14,227	319	218	301
EUR	3	2	3	–	–	–
AUD	–*	–*	15	–	–	–
GBP	2	2	2	14	166	253

\* *The balance represents an amount less than HK\$500.*

The management considered that the currency between HK\$ and USD are subject to a sensitivity rate of 1%. The sensitivity analysis includes only outstanding USD denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in USD rates. A positive number below indicates an increase in post-tax profit and equity where Hong Kong dollars weaken against the USD. For a 1% strengthening of Hong Kong dollars against the USD, there would be an equal and opposite impact on the post-tax profit and equity and the numbers below would be negative. As at 31 March 2016, 2017 and 2018, the increase in post-tax profit was approximately HK\$62,000, HK\$115,000 and HK\$116,000 respectively.

The following table details the Group's sensitivity to a 5% change in Hong Kong dollars against the respective foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

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The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in post-tax profit and equity where Hong Kong dollars weaken against the respective foreign currencies. For a 5% strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the post-tax profit and equity and the numbers below would be negative.

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Increase (decrease) in post-tax profit			
JPY impact	39	42	44
SGD impact	65	47	68
EUR impact	-*	-*	-*
AUD impact	-*	-*	1
GBP impact	(1)	(7)	(10)

\* The balance represents an amount less than HK\$500.

(iv) *Liquidity risk*

In the management of the 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.

All financial liabilities are non-interest bearing, except for bank overdrafts which are interest bearing, and their maturity dates are either within one year or repayable on demand.

All carrying amounts of financial liabilities approximate to the undiscounted cash flows due to the short maturity.

c) **Fair value measurements recognised in the combined statement of financial position**

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the combined financial statements approximate to their corresponding fair value due to short-term maturities.

8. **REVENUE**

Revenue represents the amounts received and receivable for services provided in the normal course of business. An analysis of the Group's revenue for the Track Record Period is as follows:

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Commission income from dealing in securities and futures contracts as a futures non-clearing broker	60,206	59,752	76,759



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9. SEGMENT INFORMATION

HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the directors of the Company) in order to allocate resources to the segment and to assess its performance.

Information reported to the directors of the Company, being the chief operating decision maker, for the purpose of resource allocation and assessment of segment performances focuses on brokerage service. During the Track Record Period, the Group focused on provision of brokerage service and all the assets and major revenue are located and derived in Hong Kong. Accordingly, no segment analysis is prepared.

Information about major customers

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

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Customer A	N/A*	6,230	7,688

No customer accounted for 10% or more of the Group's revenue for the year ended 31 March 2016.

\* The corresponding revenue did not contribute over 10% of total revenue of the Group for the respective reporting period.

10. OTHER INCOME AND GAINS, NET

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Bank interest income	–*	2	1
Exchange gain, net	66	6	265
Sundry income	–	–	189
	<u>66</u>	<u>8</u>	<u>455</u>

\* The balance represents an amount less than HK\$500.

11. FINANCE COSTS

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Overdraft interest	–	7	38

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12. PROFIT BEFORE TAX

	Year ended 31 March		
	2016 HK\$’000	2017 HK\$’000	2018 HK\$’000
Profit for the year/period has been arrived at after charging:			
Directors’ emoluments ( <i>note 14</i> )			
Fees	–	–	–
Emoluments	975	1,099	20,400
Contributions to retirement benefits scheme ( <i>note</i> )	18	18	86
	<u>993</u>	<u>1,117</u>	<u>20,486</u>
Other staff costs	27,399	26,127	21,237
Contributions to retirement benefits schemes ( <i>note</i> )	299	309	251
	<u>27,698</u>	<u>26,436</u>	<u>21,488</u>
Total staff costs	28,691	27,553	41,974
Auditor’s remuneration	65	80	80
Depreciation	315	200	151
Operating lease rental payments for rented premises	881	905	1,116

*Note:* The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all qualifying employees in Hong Kong. The assets of the MPF Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs capped at HK\$1,500 per month to MPF Scheme, which contribution is matched by employees.

13. INCOME TAX EXPENSE

	Year ended 31 March		
	2016 HK\$’000	2017 HK\$’000	2018 HK\$’000
Current tax:			
Hong Kong	2,696	2,385	3,052
Overprovision in prior year	(20)	–	–
Tax exemption for the year	(20)	(20)	(30)
	<u>2,656</u>	<u>2,365</u>	<u>3,022</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits during the Track Record Period.

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ACCOUNTANTS' REPORT

The income tax expense for the years ended 31 March 2016, 2017 and 2018 can be reconciled to the profit before tax per the combined statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Profit before tax	16,147	14,222	7,800
Tax at domestic income tax rate of 16.5%	2,664	2,347	1,287
Tax effect of expenses not deductible	–	22	1,756
Tax effect of income not taxable	–*	–*	–*
Tax effect of temporary difference not recognised	32	16	9
Tax effect of tax exemption granted	(20)	(20)	(30)
Overprovision in prior year	(20)	–	–
Income tax expense for the year	2,656	2,365	3,022

\* The balance represents an amount less than HK\$500.

Tax exemptions represented reduction of Hong Kong Profits Tax for the year of assessment of 2015/2016 and 2016/2017 and 2017/2018 by 75%, subject to a ceiling of HK\$20,000, HK\$20,000 and HK\$30,000 per case respectively.

As at 31 March 2016, 2017 and 2018, the Group has deductible temporary differences of approximately HK\$281,000, HK\$380,000 and HK\$431,000 respectively.

14. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to the director of the Company during the year ended 31 March 2016 was as follows:

	Fees HK\$'000	Salaries and other allowances <sup>(ii)</sup> HK\$'000	Discretionary Bonus <sup>(i)</sup> HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<i>Executive director:</i>					
Mr. Lee Tik Man Dick	–	738	237	18	993

The emoluments paid or payable to the director of the Company during the year ended 31 March 2017 was as follows:

	Fees HK\$'000	Salaries and other allowances <sup>(ii)</sup> HK\$'000	Discretionary Bonus <sup>(i)</sup> HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<i>Executive director:</i>					
Mr. Lee Tik Man Dick	–	753	346	18	1,117

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The emoluments paid or payable to the directors of the Company (including emoluments for the services as employees of the group entities prior to becoming directors of the Company) during the year ended 31 March 2018 was as follows:

	Fees HK\$'000	Salaries and other allowances <sup>(ii)</sup> HK\$'000	Discretionary Bonus <sup>(i)</sup> HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<i>Executive directors:</i>					
Mr. Lee Tik Man Dick	-	813	2,843	18	3,674
Mr. Fung Wai Yip Patrick	-	677	2,843	18	3,538
Mr. Lau Ming Yeung Lambert	-	1,500	400	14	1,914
Mr. Choi Man Ho	-	1,320	3,469	18	4,807
Mr. Ng Yu Fai	-	1,620	4,915	18	6,553
<i>Non-executive director</i>					
Mr. Yu Kwok Tung	-	-	-	-	-
	-	5,930	14,470	86	20,486

Notes:

- (i) The discretionary bonus is determined based on the financial results of a subsidiary.
- (ii) No directors or chief executive waived or agreed to waive any emoluments during the Track Record Period.
- (iii) No emoluments were paid by the Group to the directors or the chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.
- (iv) Mr. Lau Ming Yeung Lambert, Mr. Choi Man Ho and Mr. Ng Yu Fai, the employees of De Riva during the Track Record Period, were appointed as the Company's executive directors on 1 November 2017. Mr. Lee Tik Man Dick and Mr. Fung Wai Yip Patrick, the directors of De Riva during the Track Record Period, were appointed as the Company's executive directors on 1 November 2017. During the Track Record Period, the executive directors have not yet been appointed.
- (v) Mr. Yu Kwok Tung, the controlling shareholder of De Riva during the Track Record Period, was appointed as the Company's director on 29 November 2017 and re-designated as a non-executive director on [Date]. During the Track Record Period, the non-executive director has not yet been appointed.
- (vi) Mr. Voon David Hian-fook, Mr. Or Kevin and Mr. Wu Ping Lam Michael David were appointed as the Company's independent non-executive directors on [DATE]. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any remuneration.

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**15. EMPLOYEES' EMOLUMENTS**

Of the five individuals with the highest emoluments in the Group, none of them were directors of the Company for each of the two years ended 31 March 2016 and 2017 and four of them were directors of the Company for the year ended 31 March 2018. The emoluments of the individuals other than the directors of the Company for the Track Record Period were as follows:

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Salaries, allowances, and other benefits	6,504	5,205	900
Discretionary bonuses	10,957	9,447	2,500
Contributions to retirement benefits scheme	90	90	18
	<u>17,551</u>	<u>14,742</u>	<u>3,418</u>

Their emoluments were within the following bands:

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Nil to HK\$1,000,000	–	–	–
HK\$1,000,001 to HK\$2,000,000	2	1	–
HK\$2,000,001 to HK\$3,000,000	1	3	–
HK\$3,000,001 to HK\$4,000,000	–	–	1
HK\$4,000,001 to HK\$5,000,000	–	–	–
HK\$5,000,001 to HK\$6,000,000	2	1	–
	<u>2</u>	<u>1</u>	<u>–</u>

During the three years ended 31 March 2016, 2017 and 2018, no emoluments were paid by the Group to the five highest paid individual, including the directors and chief executive of the Company, as an inducement to join or upon joining the Group, or as compensation for loss of office.

**16. DIVIDENDS**

	Year ended 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
2015 Final – HK\$0.13 per share	860	–	–
2016 Final – HK\$0.59 per share	–	4,000	–
	<u>860</u>	<u>4,000</u>	<u>–</u>

A final dividend for the year ended 31 March 2015 of HK\$860,000 declared and fully paid by De Riva on 17 June 2015. For the year ended 31 March 2016, HK\$4,000,000 final dividend has been declared on 29 March 2017 and fully paid by De Riva on 18 April 2017.

The rate of dividend and the number of shares ranking for the above dividend are not presented as such information is not meaningful having regard to the purpose of this report.

No dividend was paid or proposed subsequent to the end of the reporting period and up to the date of this report.

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**ACCOUNTANTS' REPORT**

**17. EARNINGS PER SHARE**

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation and the preparation of the results of each of the three years ended 31 March 2016, 2017 and 2018 on a combined basis as disclosed in note[2] of Section [A] above.

**18. PROPERTY AND EQUIPMENT**

	Computer equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>					
At 1 April 2015	950	105	735	833	2,623
Additions	59	–	–	–	59
At 31 March 2016 and 1 April 2016	1,009	105	735	833	2,682
Additions	43	–	–	–	43
At 31 March 2017 and 1 April 2017	1,052	105	735	833	2,725
Additions	44	–	45	–	89
At 31 March 2018	<u>1,096</u>	<u>105</u>	<u>780</u>	<u>833</u>	<u>2,814</u>
<b>ACCUMULATED DEPRECIATION</b>					
At 1 April 2015	615	64	565	699	1,943
Charged for the year	165	19	45	86	315
At 31 March 2016 and 1 April 2016	780	83	610	785	2,258
Charged for the year	125	10	45	20	200
At 31 March 2017 and 1 April 2017	905	93	655	805	2,458
Charged for the year	82	6	46	17	151
At 31 March 2018	<u>987</u>	<u>99</u>	<u>701</u>	<u>822</u>	<u>2,609</u>
<b>CARRYING VALUES</b>					
At 31 March 2016	<u>229</u>	<u>22</u>	<u>125</u>	<u>48</u>	<u>424</u>
At 31 March 2017	<u>147</u>	<u>12</u>	<u>80</u>	<u>28</u>	<u>267</u>
At 31 March 2018	<u>109</u>	<u>6</u>	<u>79</u>	<u>11</u>	<u>205</u>

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Depreciation is recognised so as to write off the cost of property and equipment less their residual value, if any, using the straight-line method over their estimated useful lives and at the rates per annum as follows:

Computer equipment	20%
Furniture and fixtures	20%
Leasehold improvements	20%
Office equipment	20%

**19. INTANGIBLE ASSETS**

	<b>Total</b> <i>HK\$'000</i>
<b>Trading Rights</b>	
<b>COST</b>	
At 1 April 2015	500
Additions	500
	<hr/>
At 31 March 2016, 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018	1,000
	<hr/>
<b>CARRYING VALUES</b>	
At 31 March 2016	1,000
	<hr/> <hr/>
At 31 March 2017	1,000
	<hr/> <hr/>
At 31 March 2018	1,000
	<hr/> <hr/>

Trading rights in the Hong Kong Exchanges and Clearing Limited with indefinite useful life.

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely. The trading rights will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whether there is an indication that they may be impaired.

No impairment loss on intangible assets is recognised during the year ended 31 March 2016, 2017 and 2018.

**20. TRADE RECEIVABLES**

The Group's trade receivables arose from business of dealing in securities and the futures contracts during the Track Record Period.

The Group allows an average credit period of 30 days to its trade receivables. Before accepting any new customer, the Group will assess the potential customer's credit quality and defines its credit limits. Credit limits are made to customers with a satisfactory trustworthy credit history.

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The following is an ageing analysis of trade receivables net of allowance for impairment presented based on the invoice date. There is no allowances of impairment during the Track Record Period.

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Within 30 days	6,329	5,029	7,227
31-60 days	3,146	3,823	5,671
61-90 days	2,127	1,825	3,054
91-120 days	481	477	1,240
Over 120 days	3,488	4,291	4,019
Total	<u>15,571</u>	<u>15,445</u>	<u>21,211</u>

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$9,242,000, HK\$10,416,000 and HK\$13,984,000 as at 31 March 2016, 2017 and 2018 respectively, which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

The aged analysis of the trade receivables which are past due but not impaired is set out below:

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Within 30 days	3,146	3,823	5,671
31-60 days	2,127	1,825	3,054
61-90 days	481	477	1,240
Over 90 days	3,488	4,291	4,019
Total	<u>9,242</u>	<u>10,416</u>	<u>13,984</u>

Trade receivables that were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.



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**ACCOUNTANTS' REPORT**

**21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES**

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Prepayments	687	661	1,522
Deposits			
– Deposits placed in clearing brokers	9,058	7,717	9,083
– Rental deposits	277	303	888
– Others	128	109	91
	<u>9,463</u>	<u>8,129</u>	<u>10,062</u>
Other receivables	3	–	7
	<u>10,153</u>	<u>8,790</u>	<u>11,591</u>
Analysed as:			
Current	10,153	8,790	11,024
Non-current (rental deposit)	–	–	567
	<u>10,153</u>	<u>8,790</u>	<u>11,591</u>

**22. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include the following for the purposes of the consolidated statement of cash flows:

	As at 31 March		
	2016	2017	2018
	HK\$'000	HK\$'000	HK\$'000
Cash and cash equivalents			
Bank overdrafts	12,000	22,193	21,361
	<u>–</u>	<u>–</u>	<u>(758)</u>
	<u>12,000</u>	<u>22,193</u>	<u>20,603</u>

Cash at banks earn interest at prevailing market rates which range from 0.01% to 0.28% per annum based on daily bank deposit rates during the Track Record Period.

Bank overdrafts carry interest at market rates of 1.28% per annum during the Track Record Period.

**APPENDIX I**

**ACCOUNTANTS’ REPORT**

**23. OTHER PAYABLES AND ACCRUALS**

	As at 31 March		
	2016 HK\$’000	2017 HK\$’000	2018 HK\$’000
Other payables	1,117	465	264
Accruals	5,124	4,792	11,692
	<u>6,241</u>	<u>5,257</u>	<u>11,956</u>

**24. SHARE CAPITAL**

**The Group**

For the purpose of presenting the share capital of the Group prior to the completion of the Reorganisation in the combined statements of financial position, the share capital presented in the combined statements of financial position as at 31 March 2016, 2017 and 2018 represented the share capital of De Riva and the Company.

**The Company**

The Company was incorporated on 1 November 2017 and had an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each, of which one nil-paid Share was allotted and issued. On 29 November 2017, the Company allotted and issued 4,999 shares at HK\$0.01 each.

**25. RETIREMENT BENEFITS SCHEME**

The Group operates a MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. Under the MPF Scheme, the Group is required to make contributions to the scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the scheme vest immediately. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The total cost charged to profit or loss of approximately HK\$317,000, HK\$327,000 and HK\$337,000 represents contributions payable to retirement benefits scheme contributions by the Group in respect of the three years ended 31 March 2016, 2017 and 2018 respectively.

**26. OPERATING LEASE COMMITMENTS**

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 March		
	2016 HK\$’000	2017 HK\$’000	2018 HK\$’000
Within one year	604	962	2,007
In the second to fifth years inclusive	–	642	3,540
Total	<u>604</u>	<u>1,604</u>	<u>5,547</u>

Leases are negotiated for an average of three years; and rentals are fixed.

APPENDIX I

ACCOUNTANTS' REPORT

27. RELATED PARTY TRANSACTIONS

Compensation to key management personnel

The remuneration of directors and other key management personnel of the Group during the Track Record Period were as follow:

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Short-term benefits	10,454	10,382	20,400
Post-employment benefits	72	72	86
Total	<u>10,526</u>	<u>10,454</u>	<u>20,486</u>

The remuneration of key management personnel of the Group is determined by the directors of the Company having regard to the performance of the individuals and market trends.

28. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The tables below detail changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	1 April 2015 HK\$'000	Non-cash change		31 March 2016 HK\$'000
		Financing cash flow HK\$'000	Dividend declared HK\$'000	
Dividend payable (Note 16)	<u>-</u>	<u>(860)</u>	<u>860</u>	<u>-</u>

	1 April 2016 HK\$'000	Non-cash change		31 March 2017 HK\$'000
		Financing cash flow HK\$'000	Dividend declared HK\$'000	
Dividend payable (Note 16)	<u>-</u>	<u>-</u>	<u>4,000</u>	<u>4,000</u>

	1 April 2017 HK\$'000	Non-cash change		31 March 2018 HK\$'000
		Financing cash flow HK\$'000	Dividend declared HK\$'000	
Dividend payable (Note 16)	<u>4,000</u>	<u>(4,000)</u>	<u>-</u>	<u>-</u>

**APPENDIX I**

**ACCOUNTANTS' REPORT**

**29. EVENTS AFTER THE REPORTING PERIOD**

**(i) Reorganisation**

The Group comprising the Company and its subsidiaries underwent a reorganisation to rationalise the Group's structure in preparation for the listing of the Company's shares on the GEM of the Stock Exchange. Details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus. As a result of the Reorganisation, the Company became the holding company of the Group on [DATE].

**(ii) Post-IPO Share Option Scheme**

The Company adopted a share option scheme on [DATE], a summary of terms and conditions of which are set out in the section headed "Statutory and General Information" in Appendix IV to this Document.

**B. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Group, the Company or any of the companies now comprising the Group in respect of any period subsequent to the year ended 31 March 2018.

**APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The information set out in this Appendix does not form part of the Accountants' Report prepared by SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, the Company's reporting accountant, as set out in "Appendix I — Accountants' Report" to this document and is included herein for information only.*

*The Unaudited Pro Forma Financial Information should be read in conjunction with the section headed "Financial Information" and the Accountants' Report set out in "Appendix I — Accountants' Report" to this document.*

[REDACTED]

APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]



APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

[REDACTED]

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

[●]

Practising Certificate Number: [●]

Hong Kong

<b>APPENDIX III      SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW</b>
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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 company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 1 November 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "Companies Law"). The Company's constitutional documents consist of its Memorandum of Association (the "Memorandum") and its Articles of Association (the "Articles").

## **1. MEMORANDUM OF ASSOCIATION**

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in Section 27(2) of the Companies Law and in view of the fact that 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) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

## **2. ARTICLES OF ASSOCIATION**

The Articles were conditionally adopted on [●] with effect from the [REDACTED]. The following is a summary of certain provisions of the Articles:

### **(a) Shares**

#### *(i) Classes of shares*

The share capital of the Company consists of ordinary shares.

#### *(ii) 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 the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the

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provisions of the Articles relating to general meetings will mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

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 ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

***(iv) Transfer of shares***

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

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The instrument of transfer shall be executed 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 transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

*(v) Power of the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made 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 ownership of shares in the Company by a subsidiary.

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*(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls 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). A call may be made payable either in one lump sum or by installments. 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 twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, 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 the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

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**(b) Directors**

*(i) Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office 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 will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period 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 members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

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- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

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 delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time 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 must, in the exercise of the powers, authorities and discretions 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 and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange 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 are 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 is 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

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others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not 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*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, 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.

*(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 assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, 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 ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration



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and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making 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 ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, 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*

Pursuant to the Articles, payments to any 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 entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of 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 therefor in addition to

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any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or 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, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, 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 or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for 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 himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

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- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his 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 contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. 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 an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

*(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, in the case of such members as are corporations, by

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their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting 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 fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons 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 pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

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Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is 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 and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

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- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers;
- (ee) the fixing of the remuneration of the directors and of the auditors;
- (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
- (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.

*(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, but the absence of a quorum shall not preclude the appointment of a chairman.

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 is 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 is 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. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

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**(f) Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office 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 accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.



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**(g) 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.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) 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 shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders 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.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or



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warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their 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 moneys 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.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and 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.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

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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 and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority 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 shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is 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 a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

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### **3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

#### **(a) Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

#### **(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the 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 arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of Section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), 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, by special resolution reduce its share capital in any way.

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**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. 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 shareholder and the Companies Law expressly provides that 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. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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. 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 purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

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A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

**(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having 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 into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder 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 or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has

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complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

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.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof 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 of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

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**(j) Taxation**

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from [5 December 2017].

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 executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

**(k) Stamp duty on transfers**

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.

**(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

**(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.



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**(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of 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 sixty (60) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.



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The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the 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 how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

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**(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

**(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder 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 shareholders.

**(t) 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, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of 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 to this document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**APPENDIX IV**

**STATUTORY AND GENERAL INFORMATION**

**A. FURTHER INFORMATION ABOUT OUR COMPANY**

**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 1 November 2017. Our Company's registered office is at the offices of [REDACTED]. Our Company has established its principal place of business in Hong Kong at Units 2601-3, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong, and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on 1 December 2017. In connection with such registration, Mr. Lau and Mr. Choi have been appointed as the authorised representatives of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it operates subject to the laws of the Cayman Islands and its constitution comprises the Memorandum and the Articles. A summary of various provisions of our Company's constitution and certain relevant aspects of the Companies Law is set out in Appendix III to this document.

**2. Changes in the share capital of our Company**

- (a) The authorised share capital of our Company as of the date of its incorporation was HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, of which one nil-paid Share was allotted and issued to the initial subscriber on the date of incorporation and was transferred to Mr. Choi on the same day at nil consideration.

[REDACTED]

[REDACTED]

- (g) Save as aforesaid and as mentioned in the paragraph headed "A. Further information about our Company — 3. Written resolutions of our Shareholders passed on [●]" in this appendix, there has been no alteration in the share capital of our Company since incorporation.
- (h) Save as disclosed in this document, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

**3. Written resolutions of our Shareholders passed on [●]**

On [●], written resolutions of the Shareholders were passed pursuant to which, among others:

- (a) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$50,000,000 divided into 5,000,000,000 Shares of HK\$0.01 each by the creation of an additional 4,962,000,000 Shares;
- (b) our Company approved and adopted the Memorandum with immediate effect and the Articles with effect from the [REDACTED];
- (c) conditional on (A) the Stock Exchange granting the [REDACTED] of, and permission to deal in, the Shares in issue and the Shares to be issued as mentioned herein (including any Shares which may be issued pursuant to the [REDACTED], the [REDACTED] or the exercise of any options which may be granted under the Share Option Scheme) and (B)

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the obligations of the [REDACTED] under the [REDACTED] becoming unconditional and not being terminated in accordance with the terms of the [REDACTED] or otherwise, in each case on or before the date determined in accordance with the terms of the [REDACTED]:

- (i) the [REDACTED] was approved and our Directors were authorised to allot and issue the [REDACTED]; and
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" in this appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares upon the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to carry into effect the Share Option Scheme;
- (d) conditional upon the share premium amount of our Company being credited as a result of the [REDACTED], our Directors were authorised to capitalise the amount of HK\$[REDACTED] from the amount standing to the credit of the share premium account of our Company and applying such sum to pay up in full at par [REDACTED] Shares for allotment and issue to our Shareholders whose name appeared on the register of members of our Company at the close of business on [●];
- (e) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of a rights issue or any scrip dividend schemes or similar arrangements in accordance with the Articles or the [REDACTED] or the [REDACTED], or an issue of Shares upon the exercise of any options which may be granted under the Share Option Scheme) Shares not exceeding 20% of the total number of Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any laws applicable to our Company to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first, PROVIDED that if any subsequent consolidation or subdivision of Shares is effected, the maximum amount of Shares that may be issued pursuant to the approval in paragraph (e) of this resolution as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same and such maximum number of Shares shall be adjusted accordingly;

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**STATUTORY AND GENERAL INFORMATION**

- (f) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares not exceeding 10% of the total number of Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any laws applicable to our Company to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first, PROVIDED that if any subsequent consolidation or subdivision of Shares is effected, the maximum amount of Shares that may be repurchased pursuant to the approval in paragraph (f) of this resolution as a percentage of the total number of issued Shares at the date immediately before and after such consolidation or subdivision shall be the same and such maximum number of Shares shall be adjusted accordingly; and
- (g) the general unconditional mandate mentioned in paragraph (e) above was extended by the addition to the total number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to or in accordance with the mandate to repurchase Shares referred to in paragraph (f) above.

**4. Corporate reorganisation**

The companies comprising our Group underwent the Reorganisation in preparation for the [REDACTED] of our Shares on the Stock Exchange. For information relating to the Reorganisation, please refer to the section headed "History, Reorganisation and corporate structure" in this document.

**5. Changes in the share capital of subsidiaries of our Company**

Our Company's subsidiaries are referred to in the Accountants' Report in this document. Save for the subsidiaries mentioned in the Accountants' Report and in the section headed "History, Reorganisation and corporate structure" of this document, our Company has no other subsidiaries.

Save for the alterations disclosed in the section headed "History, Reorganisation and corporate structure" in this document, there were no other alteration in the authorised or issued share capital of our subsidiaries which took place within two years immediately preceding the date of this document.

**6. Repurchases by our Company of our own securities**

This paragraph contains information required by the Stock Exchange to be included in this document concerning the repurchase by our Company of its own securities.

*(a) Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing is on the GEM to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

*(i) Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolutions passed by our Shareholders on [●], a general unconditional mandate was given to our Directors authorising any repurchase by our Company of Shares on the 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, of up to 10% of the total number of Shares in issue immediately following completion of the [REDACTED] and the [REDACTED] (excluding Shares which may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme), such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or applicable laws of the Cayman Islands to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

*(ii) Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with a company's constitutive documents and the laws of the jurisdiction in which the company is incorporated or otherwise established. A listed 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 the Cayman Islands laws, any repurchase by our Company may be made out of profits of our Company, out of the share premium account or out of the [REDACTED] of a fresh issue of Shares made for the purpose of the repurchase. Any premium payable on a redemption or purchase over the par value of the Shares to be repurchased must be provided for out of either or both of



the profits or the share premium account of our Company. Subject to satisfaction of the solvency test prescribed by the Companies Law, a repurchase may also be made out of capital.

*(iii) Trading restrictions*

Our Company may repurchase up to 10% of the total number of Shares in issue immediately following the completion of the [REDACTED] and the [REDACTED] (excluding Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of the Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing the Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the minimum percentage required by the Stock Exchange. The broker appointed by our Company to effect a repurchase of the Shares is required to disclose to the Stock Exchange any information with respect to a share repurchase as the Stock Exchange may require. Our Company shall not repurchase Shares if the purchase price is higher than 5% or more than the average closing market price for the 5 preceding trading days on which the Shares were traded on the GEM.

*(iv) Status of repurchased shares*

All repurchased Shares (whether on the Stock Exchange or otherwise) will be cancelled and the certificates for those Shares must be cancelled and destroyed. Under the Cayman Islands law, a company's shares repurchased may be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the shares repurchased accordingly although the authorised share capital of the company will not be reduced.

*(v) Suspension of repurchase*

Repurchase of Shares are prohibited after inside information has come to the knowledge of our Company until such information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (aa) 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 the results of our Company for any year, half-year or quarter-year period or any other interim period (whether or not reported under the GEM Listing Rules); and (bb) the deadline for our Company to announce 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), our Company may not repurchase its securities on the GEM



unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit repurchase of Shares on the Stock Exchange if our Company has breached the GEM Listing Rules.

*(vi) Reporting requirements*

Certain information relating to repurchase of securities on the 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 following business day. In addition, our Company's annual report and accounts are required to disclose details regarding repurchases of Shares made during the financial year under review, including the number of Shares repurchased each month (whether on the Stock Exchange or otherwise) and the purchase price per Share or the highest and lowest prices paid for all such repurchases, where relevant, and the aggregate prices paid. The directors' report is also required to contain reference to the repurchases made during the year and the directors' reasons for making such repurchases.

*(vii) Core connected persons*

According to the GEM Listing Rules, a company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", that is, a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their close associates and a core connected person shall not knowingly sell his/her/its securities to our Company on the Stock Exchange.

*(b) Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from its 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 the net asset value of our Company and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

*(c) Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this document and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate is to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this document. However, 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.

The exercise in full of the Repurchase Mandate, on the basis of [REDACTED] Shares in issue immediately after the [REDACTED], would result in up to [REDACTED] Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

*(d) General*

None of our Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their respective close associates currently intends to sell any Shares to our Company or its subsidiaries.

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 and the applicable laws of the Cayman Islands.

No core connected person of our Company has notified our Company that he has a present intention to sell his Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

If as a result of any securities repurchase pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Our Directors are not aware of any other consequences which may arise under the Takeovers Code if the Repurchase Mandate is exercised.

If the Repurchase Mandate is fully exercised immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account of any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme), the total number of Shares which will be repurchased pursuant to the Repurchase Mandate shall be [REDACTED] Shares, being 10% of the issued share capital

of our Company based on the aforesaid assumptions. The percentage shareholding of our Controlling Shareholders will be increased to approximately [REDACTED]% of the issued share capital of our Company immediately following the full exercise of the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the GEM Listing Rules requirements regarding the [REDACTED] under Rule 11.23 of the GEM Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient [REDACTED] as prescribed under the GEM Listing Rules.

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of material contracts

The following contracts (not being contracts in the ordinary course of business of our Group) have been entered into by us or any members of our Group within two years immediately preceding the date of this document and are or may be material to our business:


- (a) [an agreement for sale and purchase dated [●] and entered into among Pacific Asset, Santo Global, Mr. Ng, Mr. Choi and DLS Capital, pursuant to which Pacific Asset, Santo Global, Mr. Ng and Mr. Choi have agreed to sell and DLS Capital has agreed to purchase the entire issued share capital of De Riva in consideration of the allotment and issue of (i) [REDACTED] new shares in DLS Capital to Pacific Asset; (ii) [REDACTED] new shares in DLS Capital to Santo Global; (iii) [REDACTED] new shares in DLS Capital to Mr. Ng; and (iv) [REDACTED] new shares in DLS Capital to Mr. Choi, credited as fully paid];
- (b) [an agreement for sale and purchase dated [●] and entered into among Pacific Asset, Santo Global, Mr. Ng, Mr. Choi and the Company, pursuant to which Pacific Asset, Santo Global, Mr. Ng and Mr. Choi have agreed to sell and the Company has agreed to purchase the entire issued share capital of DLS Capital in consideration of the allotment and issue of (i) [REDACTED] new Shares to Oasis Green, at the direction of Pacific Asset; (ii) [REDACTED] new Shares to Jolly Ocean, at the direction of Santo Global; (iii) [REDACTED] new Shares to Dense Jungle, at the direction of Mr. Ng; and (iv) [REDACTED] new Shares to Beyond Delta, at the direction of Mr. Choi, credited as fully paid, and credit as fully paid the nil-paid incorporation share];
- (c) the Deed of Indemnity;
- (d) the Deed of Non-competition; and
- (e) the [REDACTED] [REDACTED].

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**2. Intellectual property rights**

*(a) Trademarks*

As at the Latest Practicable Date, our Group was the registered owner of the following trademarks in Hong Kong:

Trademark	Registered owner	Class	Trade Mark No.	Date of Registration	Expiry date
"™" 	De Riva	16, 36	304298563	11 October 2017	10 October 2027
"™" 					
"™" 	De Riva	16, 36	304339620	17 November 2017	16 November 2027
"™" 					

*(b) Domain Name*

As at the Latest Practicable Date, our Group was the registered proprietor of the following domain name:

Domain name	Registered owner	Date of Registration	Expiry date
www.derivaasia.com	De Riva	27 July 2009	27 July 2018

Information contained in the above website does not form part of this document.

Save as disclosed above, there are no other trade or service marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

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**C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

**1. Directors**

*(a) Interests and short positions of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations*

Immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares that may be allotted and issued upon the exercise of any options that may be granted under the Share Option Scheme), the interests or short positions of each of our Directors and the chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed, will 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 which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are listed, will be required pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to our Company and the Stock Exchange are set out as follows:

*(i) Our Company*

Name of Director	Capacity/ Nature of Interest	Number of Shares/ underlying Shares held <sup>(1)</sup>	Percentage of shareholding
Mr. Yu	Interest of controlled corporation <sup>(2)</sup>	[REDACTED]	[REDACTED]
Mr. Ng	Interest of controlled corporation <sup>(3)</sup>	[REDACTED]	[REDACTED]
Mr. Choi	Interest of controlled corporation <sup>(4)</sup>	[REDACTED]	[REDACTED]

*(ii) Associated corporation of our Company*

Name	Name of associated corporation	Nature of interest	Number of shares	Approximate percentage of shareholding
Mr. Yu	Pacific Asset <sup>(2)</sup>	Beneficial interest	[REDACTED]	[REDACTED]

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Name	Name of associated corporation	Nature of interest	Number of shares	Approximate percentage of shareholding
Mr. Yu	Oasis Green <sup>(2)</sup>	Interest of controlled corporation	[REDACTED]	[REDACTED]

[REDACTED]

*(b) Particulars of service contracts and letters of appointment*

Each of the executive Directors has entered into a service contract with our Company which will become effective on the [REDACTED]. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a fixed term of three years commencing from the [REDACTED] and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Each of our Executive Directors is entitled to a basic salary set out below (subject to an annual increment at the discretion of our Directors). The executive Directors are also entitled to a bonus in respect of each financial year of our Company in an amount to be determined by the Board in its absolute discretion. An executive Director is required to abstain from voting and is not counted in the quorum in respect of any resolution of the Directors regarding the amount of the salary and the discretionary bonus payable to him. The annual remuneration payable to the executive Directors under each of the service contracts are as follows:

Name	Amount
Mr. Lau	HK\$[REDACTED]
Mr. Choi	HK\$[REDACTED]
Mr. Lee	HK\$[REDACTED]
Mr. Fung	HK\$[REDACTED]
Mr. Ng	HK\$[REDACTED]

Each of the non-executive Director and the independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letters of appointment are similar in all material respects. Each of the non-executive Director and the independent

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non-executive Directors is appointed with an initial term of [three] years commencing from the [REDACTED] subject to termination in certain circumstances as stipulated in the relevant letters of appointment. The annual remuneration payable to the non-executive Director and the independent non-executive Directors under each of the letters of appointment are as follows:

Name	Amount
Mr. Yu Kwok Tung	HK\$[REDACTED]
Mr. Voon David Hian-fook	HK\$[REDACTED]
Mr. Or Kevin	HK\$[REDACTED]
Mr. Wu Ping Lam Michael David	HK\$[REDACTED]

Save as disclosed above, none of our Directors has or is proposed to have any service contract with our Company or any of its subsidiaries (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

(c) *Remuneration of our Directors*

The Company's policies concerning remuneration of executive Directors are as follows:

- (i) the amount of remuneration payable to the executive Directors is determined by our Company on a case-by-case basis with reference to duties and level of responsibilities of each executive Director and the remuneration policy of our Company and the prevailing market conditions;
- (ii) non-cash benefits may be provided at the discretion of the Board to the executive Directors under their remuneration package; and
- (iii) the executive Directors may be granted, at the discretion of the board of Directors, share options under the Share Option Scheme as part of their remuneration package.

The aggregate remuneration paid and benefits in kind granted by our Group to our Directors in respect of the year ended 31 March 2018 was approximately HK\$20.5 million.

Under the arrangements currently in force, it is estimated that the aggregate remuneration payable by our Group to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending 31 March 2019 will be approximately HK\$6.8 million.

Save as disclosed in Appendix I to this document, no Director received any remuneration or benefits in kind from our Group for the Track Record Period.

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None of our Directors or any past directors of any member of our Group has been paid any sum of money for 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 our Group or of any other office in connection with the management of the affairs of any member of our Group.

There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the Track Record Period.

## 2. Substantial Shareholders

So far as our Directors are aware, immediately following completion of the [REDACTED] and the [REDACTED] (without taking into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme), the following persons (other than our Directors and chief executives of our Company) will have or be deemed or taken to have an interest and/or short position in our Shares or the underlying Shares which would be required to be disclosed to our Company under the provisions of Division 2 and 3 of Part XV of the SFO or which would be recorded in the register of the Company required to be kept under Section 336 of the SFO or who are directly or indirectly interested in 10% or more of the issued voting shares of any other member of our Group:

Name of Shareholder	Capacity/Nature of Interest	Number of Underlying Shares <sup>(1)</sup>	Approximate percentage of shareholding
Oasis Green <sup>(2)</sup>	Beneficial owner	[REDACTED]	[REDACTED]
Pacific Asset <sup>(2)</sup>	Interest of controlled corporation	[REDACTED]	[REDACTED]
Ms. Rowena Yip Shui Chi <sup>(3)</sup>	Interest of spouse	[REDACTED]	[REDACTED]
Jolly Ocean <sup>(4)</sup>	Beneficial owner	[REDACTED]	[REDACTED]
Santo Global <sup>(4)</sup>	Interest of controlled corporation	[REDACTED]	[REDACTED]
Mr. Lau Ming Hong Henry <sup>(4)</sup>	Interest of controlled corporation	[REDACTED]	[REDACTED]
Ms. Lo Ying <sup>(5)</sup>	Interest of spouse	[REDACTED]	[REDACTED]
Dense Jungle <sup>(6)</sup>	Beneficial owner	[REDACTED]	[REDACTED]



[REDACTED]

**3. Related party transactions**

Details of the related party transactions are set out in Note 27 of the Accountant's Report in Appendix I to this document.

**D. SHARE OPTION SCHEME**

**Summary of terms of the Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

*(a) Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to enable our Company to grant options to the employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of our Company or any subsidiary (including any director of our Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by our Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of our Board, has contributed or may contribute to our Group (the "Eligible Participants") as incentive or reward for their contribution to our Group to subscribe for our Shares thereby linking their interest with that of our Group.

*(b) Grant and acceptance of options*

Subject to the terms of the Share Option Scheme, our Directors may, in its absolute discretion make offer to the Eligible Participants. An offer shall be made to an Eligible Participant in writing in such form as our Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such

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Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from, and inclusive of, the date of offer).

Any offer may be accepted by an Eligible Participant in respect of less than the total number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in our Shares on the Stock Exchange or an integral multiple thereof.

*(c) Price of our Shares*

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of our Directors but in any event will not be less than the highest of (a) the closing price of our Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average of the closing prices of our Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

*(d) Maximum number of Shares*

- (i) Subject to (iii) below, the maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of our Group shall not exceed such number of Shares as equals 10% of the issued share capital of our Company at the date of approval of the Share Option Scheme. On the basis of a total of [REDACTED] Shares in issue as at the [REDACTED], the relevant limit will be [REDACTED] Shares which represent 10% of the issued Shares on the [REDACTED]. Our Company may seek approval by our Shareholders in general meeting to refresh the 10% limit provided that the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes of our Group in these circumstances must not exceed 10% of the issued share capital of our Company at the date of approval of refreshing of the limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes and exercised options) will not be counted for the purpose of calculating the limit as refreshed.
- (ii) Our Company may seek separate approval by our Shareholders in general meeting for granting options beyond the 10% limit

provided the options in excess of the limit are granted only to Eligible Participant specifically identified by our Company before such approval is sought. Our Company must send a circular to our Shareholders containing a generic description of the specified Eligible Participant who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participant with an explanation as to how the terms of the options serve such purpose, and such information as may be required under the GEM Listing Rules from time to time.

- (iii) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other options granted and yet to be exercised under any other share option schemes of our Group must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Group if this will result in the limit being exceeded.
- (iv) If our Company conducts a share consolidation or subdivision after the 10% limit has been approved in general meeting, the maximum number of Shares that may be issued upon exercise of all options to be granted under all of the share option schemes (including the Share Option Scheme) of our Company under the 10% limit as a percentage of the total number of Shares at the date immediately before and after such consolidation or subdivision shall be the same.

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- (v) Unless approved by our Shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of our Shares in issue. Where any further grant of options to an Eligible Participant would result in our Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant must be separately approved by our Shareholders in general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. Our Company must send a circular to our Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information as may be required under the GEM Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before our Shareholders' approval and the date of meeting of our Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient of the then authorised but unissued share capital of our Company to allot our Shares on the exercise of any option.

*(e) Exercise of options*

An option may be exercised at any time during the period to be determined and identified by our Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the Share Option Scheme.

Subject to terms of the Share Option Scheme, an option shall be exercisable in whole or in part in the circumstances by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised. Each such notice must be accompanied by a non-refundable remittance for the full amount of the subscription price for our Shares in respect of which the notice is given. Within 21 days after receipt of the notice and, where appropriate, receipt of

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the auditors' certificate, our Company shall accordingly allot the relevant number of Shares to the grantee (or his legal personal representative) credited as fully paid.

Though there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, our Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as our Directors may determine in their absolute discretion.

*(f) Restrictions on the time of grant of options*

No option shall be granted by our Directors under the following circumstances:

- (i) after inside information has come to the knowledge of our Directors until such inside information has been announced pursuant to the requirements of the GEM Listing Rules; and
- (ii) during the period commencing one month immediately preceding the earlier of:
  - (aa) the date of the Board meeting (as such date is first notified to the Stock Exchange under Rule 17.48 of the GEM Listing Rules) for approving our Company's results for any year, half-year or quarter-year period or any other interim period (whether or not required under the GEM Listing Rules); and
  - (bb) the deadline for our Company to announce its results for any year, half year or quarter-year period under Rule 18.49, 18.78 or 18.79 of the GEM Listing Rules or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement.

For the avoidance of doubt, no option may be granted during any period of delay in the publication of a results announcement.

*(g) Rights are personal to grantees*

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement to do so.

*(h) Rights on ceasing employment*

The option period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the date on which the grantee ceases to be an Eligible Participant by reason of a termination of his employment or directorship on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or any member of our Group into disrepute).

In the event of the grantee ceasing to be an Eligible Participant by resignation, retirement, expiry of employment contract or termination of employment for any reason other than any of the events specified in this paragraph above or paragraph (i) before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors may determine otherwise in which event the grantee or as appropriate, his personal representative(s), may exercise the option (to the extent not already exercised) in whole or in part within a period of three months following the date of such cessation or termination or, if any of the events referred to in paragraph (l) or (m) occurs during such period, exercise the Option pursuant to paragraph (l) or (m) respectively.

*(i) Rights on death*

In the event of the grantee ceasing to be an Eligible Participant by reason of his death before exercising the option in full and where the grantee is any employee of our Group at the time of his death, none of the events which would be a ground for termination of his employment under paragraph (h) above arises, his personal representative(s) may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death, or such longer period as our Directors may determine.

*(j) Cancellation of options*

Our Board may, with the consent of the relevant grantee, at any time at its absolute discretion cancel any option granted but not exercised.

Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by our Shareholders as mentioned in paragraph (d) above.

*(k) Effect of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue or other offer of securities to holders of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of our Company, but excluding options under the Share Option Scheme and options under any other similar employee share option scheme of our Company), repurchase, consolidation, sub-division or reduction of the share capital of our Company or otherwise howsoever (excluding any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in respect of a transaction to which our Company is a party), then, in any such case (other than in the case of capitalisation of profits or reserves) our Company shall instruct the auditors to certify in writing:

- (A) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:
  - (aa) the number or nominal amount of our Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or
  - (bb) the subscription price; and/or
  - (cc) the maximum number of Shares referred to in the above paragraph (d)(i); and/or
  - (dd) the method of the exercise of the option(s),

or any combination thereof, and an adjustment as so certified by the auditors shall be made, provided that:

- (1) any such adjustment must give a grantee the same proportion of the equity capital as that to which that person was previously entitled;
- (2) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
- (3) no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;



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- (4) the issue of securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
  - (5) to the advantage in any respect of the grantee without specific prior approval of our Shareholders.
- (B) in respect of any such adjustment, other than any made on a capitalisation issue, the auditors must confirm to our Directors in writing that the adjustment so made satisfies the requirements set out in the above and Rule 23.03(13) (including the note thereof) of the GEM Listing Rules.

*(l) Rights on a general offer*

If a general or partial offer is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such offer becomes or is declared unconditional, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and up to the close of such offer (or any revised offer).

*(m) Rights on winding up*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as it despatches such notice to each member of our Company give notice thereof to all grantees (containing an extract of the provisions of this paragraph) and thereupon, each grantee or his personal representative(s) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.



*(n) Rights on a compromise or arrangement*

Other than a general or partial offer or a scheme of arrangement contemplated in paragraph (l) above and paragraph (o) below, in the event of a compromise or arrangement between our Company and its members or creditors being proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and any grantee or his personal representative(s) may by notice in writing to our Company accompanied by a remittance of the full amount of the subscription price in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

*(o) Rights on a scheme of arrangement*

If a general or partial offer by way of scheme of arrangement is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, our Shareholders. If such scheme of arrangement is formally proposed to our Shareholders, the grantee shall, notwithstanding any other term on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to our Company at any time thereafter and the record date for entitlements under the scheme of arrangement.

*(p) Ranking of Shares*

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members (the "Exercise Date") and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or

resolved to be paid or made if the record date therefor shall be before the Exercise Date. A Share allotted upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of our Company as the holder thereof.

*(q) Duration and administration of the Share Option Scheme*

The Share Option Scheme shall be valid and effective commencing from the adoption date of the Share Option Scheme until the termination date as provided therein (which being the close of business of our Company on the date which falls ten years from the date of the adoption of the Share Option Scheme), after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. The Share Option Scheme shall be subject to the administration of our Directors whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided herein and in the absence of manifest error) be final and binding on all persons who may be affected thereby.

*(r) Alterations to the terms of the Share Option Scheme*

Subject to the GEM Listing Rules, the Share Option Scheme may be altered from time to time in any respect by a resolution of our Directors except that the following alterations shall require the prior sanction of an ordinary resolution of our Shareholders in general meeting (with all grantees, prospective grantees and their close associates abstaining from voting and the votes taken by poll):

- (i) alterations of the provisions relating to the matters set out in Rule 23.03 of the GEM Listing Rules cannot be altered to the advantage of the Eligible Participant without the prior approval of our Shareholders in general meeting;
- (ii) any alteration to the terms and conditions of the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme; and
- (iii) any change to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Shareholders in general meeting.

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The amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of the GEM Listing Rules and any guidance/interpretation of the GEM Listing Rules issued by the Stock Exchange from time to time.

(s) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon:

- (i) the Stock Exchange granting the [REDACTED] of, and permission to deal in, any Shares to be issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;
- (ii) commencement of dealings in Shares on the GEM; and
- (iii) the passing of the necessary resolution to approve and adopt the Share Option Scheme by our Shareholders in general meeting or by way of written resolution and to authorise our Directors to grant options at their absolute discretion thereunder and to allot, issue and deal in Shares pursuant to the exercise of any options granted under the Share Option Scheme.

(t) *Grant of options to core connected persons or any of their associates*

Each grant of options to any of our Directors, chief executive of our Company or substantial Shareholder or an independent non-executive Director (as defined in the GEM Listing Rules), or any of their respective associates must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the option (if any)). Where any grant of options to a substantial Shareholder or an independent non-executive Director, or any of his associates, would result in our Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1 per cent. of our Shares in issue; and
- (ii) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by our Shareholders. Our Company must send a circular to our Shareholders. All the grantee, his close associates and all core connected persons must abstain from voting at such general meeting. Our Company must comply with Rules 17.47A, 17.47B and 17.47C of the GEM Listing Rules. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. The circular must contain:

- (i) details of the number and terms (including the subscription price) of the options to be granted to each Eligible Participant, which must be fixed before our Shareholders' meeting and the date of the meeting of our Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price. For the avoidance of doubt, the description of the terms of the options must include the information required under Rules 23.03(5) to 23.03(10) of the GEM Listing Rules;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options) to the independent Shareholders as to voting; and
- (iii) the information as may be required under the GEM Listing Rules from time to time.

Shareholders' approval is also required for any change in the terms of options granted to an Eligible Participant who is a substantial Shareholder of or an independent non-executive Director, or any of their respective associates.

*(u) Lapse of option*

The Option Period (as defined in the Share Option Scheme) in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the earliest of:

- (i) the expiry of the Option Period;
- (ii) the expiry of any of the periods referred to in paragraphs (i) or (n) or subparagraph below, where applicable;
- (iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph (l);
- (iv) the date on which the grantee ceases to be an Eligible Participant by reason of a termination of his employment or directorship on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has become bankrupt or has

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become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the Grantee or any member of our Group into disrepute);

- (v) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph (g) by the grantee in respect of that or any other option;
- (vi) the date of the commencement of the winding-up of our Company;
- (vii) the date on which the grantee commits a breach of paragraph (g);  
or
- (viii) the date on which the option is cancelled by our Board as set out in paragraph (j).

*(v) Termination*

Our Company by an ordinary resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

*(w) Miscellaneous*

Any dispute arising in connection with the number of Shares of an option, any of the matters referred to in paragraph (k) above shall be referred to the decision of the auditors who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

*(x) Present status of the Share Option Scheme*

Application has been made to the [REDACTED] of the Stock Exchange for the approval of the Share Option Scheme, the subsequent grant of options under the Share Option Scheme and the [REDACTED] of, and permission to deal in, our Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme which shall represent 10% of our Shares in issue upon completion of the [REDACTED] and the [REDACTED].

As at the date of this document, no options have been granted or agreed to be granted under the Share Option Scheme.

(y) *Value of options*

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of the options. Our Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

Our Board confirms that our Board will not approve the exercise of any option if as a result of which our Company will not be able to comply with the [REDACTED] requirements under the GEM Listing Rules.

**E. OTHER INFORMATION**

**1. Estate duty, tax and other indemnities**

Each of our Controlling Shareholders (collectively, the "Indemnifiers") pursuant to the Deed of Indemnity referred to in the paragraph headed "B. Further information about our Business — 1. Summary of material contracts" of this appendix, has given joint and several indemnities in respect of, among other things, the amount of any and all taxation falling on any member of our Group resulting from or by reference to any income, profits, gains earned, accrued or received on or before the [REDACTED] or any event or transaction entered into or occurring on or before the [REDACTED] whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The indemnity contained above shall not apply:

- (i) to the extent that full provision or reserve has been made for such taxation in the audited accounts of our Group or the audited accounts of the relevant member of our Group for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018; or
- (ii) to the extent that such taxation or liability would not have arisen but for some act or omission of, or transaction entered into by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifiers, other than any such act, omission or transaction carried out or effected in the ordinary course of business or in the ordinary course of acquiring or disposing of capital

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assets on or before the [REDACTED] or carried out, made or entered into pursuant to a legally binding commitment created on or before the [REDACTED] or pursuant to any statement of intention made in this document; or

- (iii) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 March 2018 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied pursuant to the Deed of Indemnity to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter; or
- (iv) to the extent that such taxation liability or claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the laws, rules or regulations or the interpretation or practice thereof by the Inland Revenue Department in Hong Kong or any other relevant authority (whether in Hong Kong or any part of the world) coming into force after the date of the Deed of Indemnity or to the extent that such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities in favour of our Group whereby they would jointly and severally indemnify and at all times keep each member of our Group fully indemnified on demand from and against, among others, all claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group (i) as a result of directly or indirectly or in connection with, or in consequence of any non-compliance with or breach of any applicable laws, rules or regulations of any jurisdiction by any member of our Group on or before the [REDACTED]; (ii) as a result of directly or indirectly or in connection with any litigation, proceeding, claim, investigation, inquiry, enforcement proceeding or process by any governmental, administrative or regulatory body which (a) any member of our Group and/or their respective directors or any of them is/are involved; and/or (b) arises due to some act or omission of, or transaction voluntarily effected by, our Group or any member of our Group (whether alone or in conjunction with some other act, omission or transaction) on or before the [REDACTED].

The indemnity contained above shall not apply to the extent that provision has been made for such claim in the audited accounts of our Group or the audited accounts of any member of our Group for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018.

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in the Cayman Islands, Hong Kong and other jurisdictions in which the companies comprising our Group are incorporated.



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**2. Litigation**

As at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against any member of our Group which would have a material adverse effect on our business, result of operations or financial conditions.

**3. Sole Sponsor**

Red Sun Capital Limited has made an application on behalf of our Company to the Stock Exchange for the [REDACTED] of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned herein.

The Sole Sponsor is independent from our Company pursuant to Rule 6A.07 of the GEM Listing Rules.

The sponsor's fees payable by us in respect of Red Sun Capital Limited's services as sole sponsor for the [REDACTED] is HK\$5.3 million (excluding any disbursements).

**4. Preliminary expenses**

The preliminary expenses of our Company are approximately HK\$16,849 and have been paid by our Company.

**5. Promoter**

Our Company has no promoter. Save as disclosed in this document, within the two years immediately preceding the date of this document, no cash, securities or other benefit had been paid, allotted or given, nor are any such cash, securities or other benefit intended to be paid, allotted or given, to the promoter of our Company in connection with the [REDACTED] or the related transactions described in this document.

**6. Qualifications of experts**

The following are the qualifications of the experts who have given opinion or advice which are contained in this document:

<b>Name</b>	<b>Qualification</b>
Red Sun Capital Limited	Licensed to conduct type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO



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<b>Name</b>	<b>Qualification</b>
SHINEWING (HK) CPA Limited	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-laws
China Insights Consultancy Limited	Independent industry consultant

**7. Consents of experts**

Each of the experts referred to under the heading "E. Other information — 6. Qualifications of experts" in this appendix has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and/or letter and/or the references to its name included herein in the form and context in which they are respectively included.

**8. Compliance adviser**

In accordance with the requirements of the GEM Listing Rules, our Company will appoint the Sole Sponsor as our compliance adviser to provide advisory services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the [REDACTED] 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 year commencing after the [REDACTED] or until the agreement is terminated, whichever is the earlier.

**9. Agency fees or commission received**

The [REDACTED] will receive an [REDACTED], and the Sole Sponsor will receive a documentation/advisory fee, as referred to under the paragraph headed "[REDACTED] — Commission and expenses" in this document.

Save as disclosed herein, no commissions, discounts, brokerages or other special terms were granted in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this document.

**10. Disclaimers**

Save as disclosed in this document:

- (a) none of our Directors nor any of the persons whose names are listed in the paragraph headed "E. Other information — 6. Qualifications of experts" in this appendix is interested in the promotion of our Company, or in any assets which have been within the two years immediately preceding the issue of this document, or are proposed to

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be, acquired or disposed of by or leased to any member of our Group nor will any Director apply for the [REDACTED] either in his own name or in the name of a nominee;

- (b) none of our Directors nor any of the persons whose names are listed in the paragraph headed "E. Other information — 6. Qualifications of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group;
- (c) save in connection with the [REDACTED], none of the parties whose names are listed in the paragraph headed "E. Other information — 6. Qualifications of experts" in this appendix: (i) is interested legally or beneficially in any securities of any member of our Group; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (d) none of our Directors or chief executives of our Company has any interest or short position in our Shares, underlying shares or debentures of our Company or any of its associated corporation (within the meaning of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors once our shares are listed;
- (e) save as disclosed in this document, and taking no account of Shares which may be taken up under the [REDACTED], none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the [REDACTED], have an interest or short position in our Shares or underlying Shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of SFO or be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group; and
- (f) so far as is known to our Directors as of the Latest Practicable Date, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders of our Company who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the major service providers of our Group.

**11. Miscellaneous**

Save as disclosed in this document:

- (a) within the two years immediately preceding the date of this document:
  - (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued 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 capital of our Company or any of our 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;
- (b) no founders, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
- (c) 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;
- (d) 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 document;
- (e) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (f) our Company has no outstanding convertible debt securities;
- (g) all necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement;
- (h) there are no arrangements in existence under which future dividends are to be or agreed to be waived;
- (i) our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 March 2018 (being the date to which the latest audited combined financial statements of our Group were made up);

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- (j) as at the Latest Practicable Date, there is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong; and
- (k) in case of any discrepancies between the English language version and the Chinese language version of this document, the English language version shall prevail.

**12. Binding effect**

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap 32) so far as applicable.

**13. Share registrar**

The principal register of members of our Company will be maintained in the Cayman Islands by [REDACTED] and a branch register of members of our Company will be maintained in Hong Kong by [REDACTED]. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company's share registrar in Hong Kong and may not be lodged in the Cayman Islands.

<b>APPENDIX V      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION</b>
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## DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were a copy of each of the [REDACTED] Forms, the written consents referred to in the paragraph headed "E. Other information — 7. Consents of experts" in Appendix IV to this document and a copy of each of the material contracts referred to in the paragraph headed "B. Further information about our business — 1. Summary of material contracts" in Appendix IV to this document.

## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Michael Li & Co. at 19/F., Prosperity Tower, 39 Queen's Road Central, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum and the Articles;
- (b) the Accountant's Report of our Group prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix I to this document;
- (c) the audited financial statements of our Group for each of the three years ended 31 March 2016, 31 March 2017 and 31 March 2018;
- (d) the report on unaudited pro forma financial information prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix II to this document;
- (e) the letter prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix III to this document;
- (f) the Companies Law;
- (g) the service contracts and letters of appointment referred to in the paragraph headed "C. Further information about our Directors and substantial shareholders — 1. Directors — (b) Particulars of service contracts and letters of appointment" in Appendix IV to this document;
- (h) the rules of the Share Option Scheme referred to in "D. Share Option Scheme" in Appendix IV to this document;
- (i) the material contracts referred to in the paragraph headed "B. Further information about our business — 1. Summary of material contracts" in Appendix IV to this document;
- (j) the written consents referred to in the paragraph headed "E. Other information — 7. Consents of experts" in Appendix IV to this document; and
- (k) the industry report prepared by China Insights Consultancy Limited referred to in the section headed "Industry Overview" in this document.