

FINSOFT CORPORATION

匯財軟件公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8018



PLACING

Sponsor

AmCap

Ample Capital Limited

豐盛融資有限公司

Lead Manager



Astrum Capital Management Limited

IMPORTANT

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

FINSOFT CORPORATION 匯財軟件公司

(incorporated in the Cayman Islands with limited liability)

LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF PLACING

Number of Placing Shares : 50,000,000 Placing Shares
(Subject to the Offer Size Adjustment Option)
Placing Price : HK\$0.82 per Placing Share (payable in full upon application, plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%)
Nominal Value : HK\$0.01 each
Stock Code : 8018

Sponsor

AmCap

Ample Capital Limited
豐盛融資有限公司

Lead Manager



Astrum Capital Management Limited

Co-Lead Managers

AmCap

Ample Orient Capital Limited



中国太平 太平証券(香港)有限公司
CHINA TAIPING Taiping Securities (HK) Co., Ltd.

Taiping Securities (HK) Co Limited

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

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

Prospective investors of the Placing Shares should note that the Underwriters are entitled to terminate their obligations under the Underwriting Agreement by notice in writing to the Company given by the Lead Manager (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set out in the paragraph headed "Grounds for Termination" under the section headed "Underwriting" of this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Lead Manager (acting for itself and on behalf of the Underwriters) terminate the obligations of the Underwriters under the Underwriting Agreement in accordance with the terms of the Underwriting Agreement, the Placing will not proceed and will lapse.

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

18 September 2013

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.

EXPECTED TIMETABLE^(Note 1)

Announcement of the level of indication of interests to be published on the GEM website at www.hkgem.com and the Company's website at www.finsoftcorp.com on or before	25 September 2013
Allotment of the Placing Shares on or before	25 September 2013
Despatch or deposit of Share certificates on or before (Note 2)	25 September 2013
Dealings in the Shares on GEM to commence at 9:00 a.m. on	26 September 2013

Notes:

1. In this prospectus, unless otherwise stated, all times and dates refer to Hong Kong local times and dates.
2. The share certificates for Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or before 25 September 2013 for credit to the respective CCASS participants' or the CCASS investor participants' stock accounts designated by the Underwriters, the placees or their agents, as the case may be. No temporary documents of title will be issued by the Company.

All Share certificates will only become valid certificates of title of the Shares to which they relate provided that the Placing has become unconditional in all respects and the Underwriting Agreement has not been terminated in accordance with its terms at or before 8:00 a.m. (Hong Kong time) on the Listing Date.

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You should rely only on the information contained in this prospectus to make your investment decision.

The Company, the Sponsor, the Lead Manager and the Underwriters have not authorised anyone to provide you with information that is different from what is contained in this prospectus.

Any information or representation not made in this prospectus must not be relied on by you as having been authorised by the Company, the Sponsor, the Lead Manager, the Underwriters, and any of their respective directors, officers, employees, agents or representatives or any other party involved in the Placing.

The contents on the website at www.finsoftcorp.com which is the official website of the Company do not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the Placing Shares.

There are risks associated with investment in companies listed on GEM. Some of the particular risks in investing in the Placing Shares are set out in the section headed “Risk Factors” of this prospectus. You should read that section carefully before you decide to invest in the Placing Shares.

BUSINESS

Overview

The Group is principally engaged in the development, sale and lease of financial trading software solutions with the principal products being trading and settlement systems of financial products for financial institutions. The target customers are financial institutions which conduct brokerage businesses of financial products traded in Hong Kong, in particular Category B and Category C brokers and local banks. The Group’s existing trading and settlement systems are used to facilitate the operations of financial institutions for their clients’ trading of financial products and can cover the whole life cycle of trading and settlement process from order placing, risk management, compliance to settlement.

Since its establishment in 2001, the Group has successfully developed and launched trading and settlement systems for a comprehensive range of financial products and has enriched its product line from trading and settlement systems of securities to stock options, futures, forex and bullion. The Group is going to further enrich its product line to cover other financial trading software solutions such as Order Management System and Algorithmic Trading System, details of which are set out on pages 99 to 107 in the paragraph headed “Research and development” under the section headed “Business” of this prospectus. The development of the Group’s major products is set out on page 98 in the paragraph headed “Research and development” under the section headed “Business” of this prospectus.

Products and services

Currently, the Group offers the following principal products:

1. Securities Front Office System

The Group’s Securities Front Office System is a front-office trading system with comprehensive functions for trading of securities and risk management. It is mainly utilised for trading of securities on the Stock Exchange. Its FIX interface allows it to connect to overseas brokers for the trading of all overseas securities supported by the relevant overseas brokers.

2. Futures Front Office System

The Group’s Futures Front Office System is a front-office trading system with comprehensive functions for trading of futures and options and risk management. It is mainly targeted for trading of futures and options on the Futures Exchange.

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3. *Forex Front Office System and Bullion Front Office System*

The Group's Forex Front Office System is a front-office trading system with comprehensive functions for trading of forex products. Different from the Group's Securities Front Office System and Futures Front Office System, the Forex Front Office System does not connect to any exchange. It can be used for trading between the Group's customers and their clients, as well as for trading between the Group's customers and other banks or brokers through FIX interface.

The Group's Bullion Front Office System shares the same system structure as the Group's Forex Front Office System, and offers similar functions as the Forex Front Office System. It can be used for trading between the Group's customers and their clients.

4. *Back Office Systems*

The Group's Back Office Systems are back office settlement systems which facilitate the automation of back office operations for financial institutions including settlement, clearing and reporting. The Group's Back Office Systems can interface with its various front office systems to provide a fully integrated one-stop solution to its customers.

The Group's software systems are modular designed which can provide flexibility for customers to expand their usage capacity in accordance with the growth and changing needs of their business. In case the customers require specific modifications or additions of functions to the Group's software systems, customisation services will be provided to the customers.

Other than the above standard products, the Group has also developed certain customised products for its customers. A key product of this kind is the Bullion Matching and Trading Systems developed for CGSE. The Bullion Matching and Trading Systems is an electronic system used by CGSE and its members to trade bullion products through the electronic trading platform of CGSE.

Along with its sale and lease of financial trading software solutions and the provision of customisation services, the Group is also engaged in the provision of related services, including (i) software maintenance services, including provision of upgrades of software, telephone and on-site support, and maintenance services for correction of defects and problems; (ii) sale of hardware, which are mainly servers to store client trading data of the Group's customers; and (iii) hosting services which help the customers build trading networks.

REVENUE MODEL

Pursuant to the offering of the above products and services, the Group's principal revenue is derived from the following sources:

1. Sales of software systems — income from one-off sale of the Group's software systems, recognised on the percentage of completion method and measured by reference to the proportion of service completed to date to the estimated total services of the relevant contract.
2. Lease of software systems — income from lease of the Group's software systems, recognised on a straight-line basis over the period of respective agreements.

SUMMARY

3. System customisation and network support fee — income from provision of customisation services to existing customers on their installed software systems, recognised on completion of the customisation and network support work which generally coincides with the time when the customised software and network support work is accepted by the customers.
4. Software maintenance fee — income from provision of continuous maintenance services, recognised on a straight-line basis over the period of respective agreements.
5. Sales of hardware — income from sale of hardware (which are mainly servers), recognised when the goods are delivered and title has passed to the customers.
6. Hosting fee — income from renting of server rack space and provision of related services, recognised on a straight-line basis over the period of respective agreements.

The following table shows the breakdown of the Group's revenue by different sources of revenue during the Track Record Period:

	Year ended 31 December				Three months ended 31 March			
	2011		2012		2012		2013	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Sales of software systems	12,244	30.2	5,624	16.8	1,284	16.5	1,752	21.4
Sales of hardware	5,116	12.6	1,444	4.3	173	2.2	50	0.6
Lease of software systems	9,431	23.3	12,586	37.4	2,794	35.9	2,991	36.5
System customisation and network support income	4,413	10.9	4,314	12.8	1,587	20.4	802	9.8
Software maintenance fee income	6,569	16.2	7,726	23.0	1,394	17.9	2,197	26.8
Hosting fee income	2,149	5.3	1,685	5.0	428	5.5	358	4.3
Others	631	1.5	248	0.7	125	1.6	55	0.6
	<u>40,553</u>	<u>100.0</u>	<u>33,627</u>	<u>100.0</u>	<u>7,785</u>	<u>100.0</u>	<u>8,205</u>	<u>100.0</u>

The Directors consider that by adopting the revenue model of sale and lease of software systems, it not only offers different options for the Group's customers but also offers the Group a stable source of recurring income. The ancillary services, such as maintenance services and hosting services, also provide the Group with a wider variety of recurring income sources and accordingly continuous cash inflow for its business development.

The Directors consider that the recent change in the trading infrastructure stipulated by HKEx (further details of which are set out in the paragraph headed "Transition of trading platform" under the section headed "Industry Overview" of this prospectus) is a major change in the trading infrastructure of HKEx and creates an opportunity for the Group to further expand its market share. The Directors consider that it is more likely for brokers to consider switching to new trading systems under this major change, as they may face various difficulties such as outdated technology or insufficient functionality in their existing systems or other inability to cope with the new trading infrastructure with their existing systems. In particular, for the securities market, terminals and MWS will no longer be supported by the new trading platform after migration in 2015. According to the website of HKEx, HKEx is working on the

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migration plan for these devices, however no concrete plan had been announced as at the Latest Practicable Date. For the futures market, workstations will no longer be supported by the new trading platform after migration in 2017. According to the website of HKEx, Futures Exchange Participants are advised to consider switching from workstations to OAPI systems as soon as possible. In case no replacement machines are offered by HKEx, brokers who are still using terminals or workstations will be forced to switch from terminals or workstations to trading systems provided by software vendors. The Ipsos Report forecasts an increase in spending of financial institutes in transitioning and upgrading their trading and settlement systems in order to comply with the transition of trading infrastructure. Estimated customer spending on BSSs will increase from approximately HK\$731 million in 2012 to approximately HK\$1,014 million in 2017, representing a CAGR of approximately 6.8%, while estimated customer spending on OAPI systems will increase from approximately HK\$313 million in 2012 to approximately HK\$445 million in 2017, representing a CAGR of approximately 7.3%. The Directors are confident that the Group's existing reputation in the market as demonstrated by (i) the fact the Group ranked the fifth in terms of revenue of financial trading and settlement systems in 2012; and (ii) its established customer base with renowned brokers and banks would provide the Group with a competitive strength to grasp future market opportunities.

Reliance on revenue generated from existing customers

A considerable amount of the Group's revenue has been generated from its existing customers. Apart from securing business opportunities from new customers, the Group also endeavours to maximise business opportunities from its existing customers. New products and/or modules are introduced to existing customers, and customisation services may be provided to those who need additions or modifications of functions on their installed software systems. Recurring income has also been generated from the Group's existing customers. For the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013, the aggregate revenue generated from existing customers amounted to approximately HK\$32.9 million, HK\$32.1 million and HK\$7.4 million respectively, accounting for approximately 81.1%, 95.4% and 90.2% of the Group's revenue respectively. In particular, a large part of the aggregate revenue from the Group's existing customers is recurring income. For the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013, the recurring income from the Group's existing customers amounted to approximately HK\$17.5 million, HK\$21.4 million and HK\$5.5 million respectively and accounted for approximately 43.2%, 63.6% and 67.0% of the Group's revenue respectively. This indicates the Group's success in continuation of contracts with its existing customers.

CUSTOMERS

As at 31 December 2012, the Group's systems were installed at 64 brokers and banks, including sizeable and renowned Hong Kong and PRC based brokers and banks. The top five customers of the Group for the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013 comprised brokerage firms, a bank and a subsidiary of CGSE, which are Independent Third Parties and have business relationships with the Group for a range of 1 to 11 years. Details of the background of these top five customers are set out on pages 122 to 125 in the paragraph headed "Sales and marketing" under the section headed "Business" of this prospectus.

COMPETITIVE STRENGTHS

The Directors believe that the Group's competitive strengths mainly lie in (i) its reputation in the industry and established customer base; (ii) its focus on developing software solutions for financial products; and (iii) its people-oriented management culture and a stable core work force.

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According to the Ipsos Report, the Group had a market share of approximately 2.4% and ranked the fifth in terms of revenue of trading and settlement software systems in 2012. The Directors consider that the Group has achieved a competitive position in the industry.

PRODUCTS UNDER DEVELOPMENT OR ENHANCEMENT

The following table sets out the project status as at the Latest Practicable Date, cost incurred during the Track Record Period and up to 31 August 2013 and total estimated cost to be incurred for each of the products under development or enhancement:

	Project status	Expected timeframe for development	Total estimated cost <i>HK\$'000</i>	Cost incurred during the Track Record Period and up to 31 August 2013 <i>HK\$'000</i>	Cost to be incurred and to be financed by the Listing proceeds <i>HK\$'000</i>	Cost to be incurred and to be financed by internal fund <i>HK\$'000</i>
Development of:						
Order Management System	Conducting hardware and network infrastructure planning and requirement capture	From second half of 2012 to first half of 2015	6,360	1,157	3,720	1,483
Algorithmic Trading System	Testing trading strategies and enriching system features	From second half of 2011 to second half of 2014	5,308	2,113	1,800	1,395
Mobile App for Tablet/Retail Investors	Conducting development work for Mobile App for Tablet and Mobile App for Retail Investors	From first half of 2013 to second half of 2013	3,885	690	2,095	1,100
Enhancement of:						
Securities Front Office System	Passed the OCG offline simulator test arranged by HKEx in relation to its upgrade to cope with OCG Enhancement for the banking sector is yet to be commenced	From fourth quarter of 2012 to first quarter of 2014 for the upgrade to cope with OCG; from second quarter of 2014 to fourth quarter of 2014 for enhanced version for banking sector	389	389	Nil	–
Futures Front Office System	Passed the certification test arranged by HKEx and the basic development work for upgrade to cope with Genium INET platform is completed Development work for new features is yet to be commenced	From second quarter of 2013 to fourth quarter of 2013 for the upgrade to cope with Genium INET platform; from second half of 2013 to second quarter of 2014 for enhanced version with new features	244	159	Nil	85
Back Office Systems	Yet to be commenced	From second quarter of 2014 to fourth quarter of 2014	480	–	Nil	480
Total			16,666	4,508	7,615	4,543

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Further details of the Group's research and development are set out on pages 95 to 111 in the paragraph headed "Research and development" under the section headed "Business" of this prospectus.

INTELLECTUAL PROPERTY RIGHTS

The Group relies on a combination of confidentiality procedures and contractual provisions with its staff and customers to protect its intellectual property rights.

For the customer side, only software files encoded in computer-readable form for the sole purpose of installation will be provided to the Group's customers. Human-readable source codes for the software written and developed by the Group will not be provided to the Group's customers. Moreover, a clause is included in the standard sale contract executed between the Group and its customers to the effect that all intellectual property rights embodied in and related to the software provided by the Group shall vest in the Group, and the customers agree and undertake to keep confidential of, among other things, the contents of the software. For the employee side, all employees are required to execute a standard employment contract acknowledging the Group's policies concerning business conduct, confidentiality and restrictions in performance of their duties. Such policies provide that the intellectual property rights in all works, materials or designs originated, written or made by the employee shall vest in the Group or be assigned or transferred to the Group. In addition, the source codes of the Group's software are protected by a source code management tool with permission setting controls such that the access by the Group's staff is limited.

BUSINESS STRATEGIES

The business objective of the Group is to further the growth of its financial trading software solutions by expanding its product range, enhancing development of its existing products and broadening its customer base in order to become one of the major financial trading software solution providers in Hong Kong.

The Group aims to achieve the abovementioned objective through (i) enhancing product development by developing new products and improving its existing products; (ii) strengthening the marketing efforts; and (iii) possible acquisition of an IT company.

Going forward, the Group expects to maintain its business focus on development, lease and sale of financial trading software solutions, in particular the trading and settlement systems, with a wider range of products offered to customers in order to expand its market share in the industry.

SHAREHOLDER INFORMATION

Immediately following completion of the Capitalisation Issue and the Placing, each of Mr. Chan, Woodstock and Luster Wealth will control more than 30% of the Company's issued share capital, irrespective of whether the Offer Size Adjustment Option is exercised partially or fully, or at all. Each of Mr. Chan, Woodstock and Luster Wealth confirms that it/he does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the Group's business.

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On 27 November 2012, Luster Wealth and Efficient Channel entered into the Efficient Channel Investment Agreement with Infinite Capital and Mr. Chan, pursuant to which Luster Wealth agreed to sell and Efficient Channel agreed to purchase 750 shares of Infinite Capital, representing 7.5% of the issued share capital of Infinite Capital, at a purchase price of HK\$2,400,000 (the “Efficient Channel Investment”). As advised by the Directors, the Efficient Channel Investment would broaden the Shareholders basis and enhance the Group’s business network. Efficient Channel would be interested in 5.625% of the issued share capital of the Company after completion of the Capitalisation Issue and the Placing and assuming the Offer Size Adjustment Option is not exercised. Pursuant to the Efficient Channel Investment Agreement, Efficient Channel undertakes to hold all the Shares issued to it pursuant to the Reorganisation and the Capitalisation Issue for a period of six months commencing from the Listing Date.

SUMMARY FINANCIAL INFORMATION

The following tables regarding combined statements of comprehensive income, combined statements of financial position and combined statements of cash flows summarise the combined financial information of the Group during the Track Record Period, details of which are set out in the Accountants’ Report of the Company in Appendix I to this prospectus.

Summary of Combined Statements of Comprehensive Income

	For the year ended		For the three months	
	31 December		ended 31 March	
	2011	2012	2012	2013
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
			<i>(unaudited)</i>	
Revenue	40,553	33,627	7,785	8,205
Gross profit	28,382	22,626	5,397	6,024
Profit/(loss) before tax	11,246	13,128	3,453	(516)
Profit/(loss) for the year/period	9,177	11,219	2,968	(1,006)

Summary of Combined Statements of Financial Position

	As at 31 December		As at
	2011	2012	31 March
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Non-current assets	2,164	1,533	1,829
Current assets	19,475	24,683	21,260
Current liabilities	16,433	13,305	11,185
Net current assets	3,042	11,378	10,075
Net assets	5,206	12,911	11,904
Total equity	5,206	12,911	11,904

SUMMARY

	Year ended 31 December		Three months ended	
	2011	2012	31 March	
	HK\$'000	HK\$'000	2012	2013
			HK\$'000	HK\$'000
			<i>(unaudited)</i>	
Net cash generated by/(used in) operating activities	10,656	10,519	3,518	(3,069)
Net cash (used in)/generated by investing activities	(461)	5,914	2,147	(364)
Net cash used in financing activities	(17,920)	(3,522)	–	–
Net (decrease)/increase in cash and cash equivalents	(7,725)	12,911	5,665	(3,433)
Cash and cash equivalents at the beginning of year/period	14,333	6,608	6,608	19,519
Cash and cash equivalents at the end of year/period	<u>6,608</u>	<u>19,519</u>	<u>12,273</u>	<u>16,086</u>

Key Financial Ratios

	As at/For the year		As at/For the
	ended 31 December		three months
	2011	2012	ended
			31 March
			2013
Current ratio	1.2 times	1.9 times	1.9 times
Gearing ratio	Nil	Nil	Nil
Return on assets	42.5%	42.8%	(4.4)%
Net profit/(loss) margin	22.7%	33.4%	(12.3)%

Revenue

The Group's revenue decreased by approximately 17.1% from approximately HK\$40,553,000 for the year ended 31 December 2011 to approximately HK\$33,627,000 for the year ended 31 December 2012. The decrease in revenue was mainly attributable to reduction of the Group's sales of software systems and sales of hardware. The decrease in the sales of software systems was mainly a result of more customers showing preference for lease of software systems in 2012. The decrease in the sales of hardware was mainly a result of the Group's focus on its core business operations, i.e. sale and lease of financial trading software solutions and the provision of related services.

The Group's revenue increased by approximately 5.4% from approximately HK\$7,785,000 for the three months ended 31 March 2012 to approximately HK\$8,205,000 for the three months ended 31 March 2013. The slight increase was mainly due to increase in sales of software systems and software maintenance fee income. The increase in sales of software systems was due to higher contract values for

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contracts signed in the three months ended 31 March 2013 compared with those in the three months ended 31 March 2012. The software maintenance fee income increased mainly due to increase in the number of customers subscribing for the Group's maintenance services.

Gross profit and gross profit margin

The Group's gross profit decreased by approximately 20.3% from approximately HK\$28,382,000 for the year ended 31 December 2011 to approximately HK\$22,626,000 for the year ended 31 December 2012. The Group's gross profit margin for the years ended 31 December 2011 and 2012 were approximately 70.0% and 67.3% respectively. The decrease in gross profit margin was resulted from the increase in direct labour cost and the drop in the Group's revenue. The direct staff costs increased from approximately HK\$6,119,000 for the year ended 31 December 2011 to approximately HK\$8,446,000 for the year ended 31 December 2012, which was principally resulted from (i) the increase in salary during the year ended 31 December 2012; and (ii) the increase in number of staff classified as "direct staff" for the year ended 31 December 2012. Direct staff cost represents the cost of staff who is directly engaged in providing service to customers. For the year ended 31 December 2012, the Group has increased the number of staff to perform such duties, accordingly, the salaries of those staff were classified as direct staff cost rather than administrative expenses. As the direct labour cost, which mainly represents the staff cost of the development team of the Group, is fixed cost in nature, a drop in the revenue of the Group resulted in a drop of gross profit margin.

The Group's gross profit increased by approximately 11.6% from approximately HK\$5,397,000 for the three months ended 31 March 2012 to approximately HK\$6,024,000 for the three months ended 31 March 2013. The Group's gross profit margin for the three months ended 31 March 2012 and 2013 were approximately 69.3% and 73.4% respectively. The increase in gross profit margin was resulted from the increase in revenue. As the direct labour cost mainly comprising the staff cost of the development team of the Group is fixed in nature, a growth in the revenue of the Group resulted in an increase in gross profit margin.

The following tables set out the breakdown of the Group's gross profit by business activities during the Track Record Period. Direct staff cost represents the cost of staff in the development team of the Group. Their job responsibilities are not restricted to a particular product/service. Accordingly it is not possible to identify the direct staff cost attributable to each business activity.

For the year ended 31 December 2011

	Sales of software systems HK\$'000	Sales of hardware HK\$'000	Lease of software systems HK\$'000	System customisation and network support income HK\$'000	Software maintenance fee income HK\$'000	Hosting fee income HK\$'000	Others HK\$'000	Total HK\$'000
Revenue	12,244	5,116	9,431	4,413	6,569	2,149	631	40,553
Cost of sales (without direct staff cost)	–	(4,308)	–	–	–	(1,744)	–	(6,052)
Gross profit (without counting direct staff cost)	12,244	808	9,431	4,413	6,569	405	631	34,501
Direct staff cost								(6,119)
Gross profit								<u>28,382</u>

SUMMARY

For the year ended 31 December 2012

	Sales of software systems <i>HK\$'000</i>	Sales of hardware <i>HK\$'000</i>	Lease of software systems <i>HK\$'000</i>	System customisation and network support income <i>HK\$'000</i>	Software maintenance fee income <i>HK\$'000</i>	Hosting fee income <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	5,624	1,444	12,586	4,314	7,726	1,685	248	33,627
Cost of sales (without direct staff cost)	–	(1,064)	–	–	–	(1,491)	–	(2,555)
Gross profit (without counting direct staff cost)	5,624	380	12,586	4,314	7,726	194	248	31,072
Direct staff cost								(8,446)
Gross profit								<u>22,626</u>

For the three months ended 31 March 2013

	Sales of software systems <i>HK\$'000</i>	Sales of hardware <i>HK\$'000</i>	Lease of software systems <i>HK\$'000</i>	System customisation and network support income <i>HK\$'000</i>	Software maintenance fee income <i>HK\$'000</i>	Hosting fee income <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	1,752	50	2,991	802	2,197	358	55	8,205
Cost of sales (without direct staff cost)	–	(28)	–	–	–	(291)	–	(319)
Gross profit (without counting direct staff cost)	1,752	22	2,991	802	2,197	67	55	7,886
Direct staff cost								(1,862)
Gross profit								<u>6,024</u>

Net profit and net profit margin

Net profit increased by approximately HK\$2,042,000 from approximately HK\$9,177,000 for the year ended 31 December 2011 to approximately HK\$11,219,000 for the year ended 31 December 2012, representing an increase of approximately 22.3%. In terms of the Group's net profit margin, it increased from approximately 22.6% for the year ended 31 December 2011 to approximately 33.4% for the year ended 31 December 2012. The increase was primarily due to (i) reduction of total staff costs since provision of bonus of HK\$4,100,000 was recorded in 2011 compared with nil in 2012; and (ii) reduction in loss arising on change in fair value of the Group's investments.

The Group's profit deteriorated from a profit of approximately HK\$2,968,000 for the three months ended 31 March 2012 to a loss of approximately HK\$1,006,000 for the three months ended 31 March 2013. Such a loss was mainly due to an increase in Listing expenses incurred during the three months ended 31 March 2013.

SUMMARY

Impact of Listing expenses on the financial performance of the Group for the year ending 31 December 2013

As explained on page 159 in the paragraph headed “Use of proceeds” under the section headed “Reasons for the Placing and Use of Proceeds” of this prospectus, the estimated expenses to be incurred in connection with the Listing is approximately HK\$12.4 million based on the Placing Price of HK\$0.82 per Share, assuming the Offer Size Adjustment Option is not exercised. Such estimated expenses, which are non-recurrent in nature, are attributable as to (i) approximately HK\$4.4 million which was regarded as incremental costs directly attributable to the proposed issue of new Shares under the Listing and will be deducted from equity upon completion of the Listing; and (ii) approximately HK\$8.0 million which was regarded as costs associated with the Listing to the extent they are incremental costs not attributable to the equity transaction and to be charged to the Group’s combined statements of comprehensive income. Approximately HK\$0.8 million of the Listing expenses was charged to the Group’s combined statements of comprehensive income for the year ended 31 December 2012 and the remaining HK\$7.2 million will be recognised for the year ending 31 December 2013. Accordingly, the Group’s net profit for the year ending 31 December 2013 is expected to be significantly lower than that for the year ended 31 December 2012.

Cash flows

For each of the years ended 31 December 2011 and 2012, the Group recorded net cash inflow for its operating activities mainly as a result of its profitable business operations. For the three months ended 31 March 2013, the Group recorded net cash outflow for its operating activities mainly as a result of loss being recognised during the period and decrease in other payables resulted from the payment of accrued bonus.

For the year ended 31 December 2011 and the three months ended 31 March 2013, the Group recorded net cash outflow for its investing activities mainly due to the purchase of assets. For the year ended 31 December 2012, the Group recorded net cash inflow for its investing activities mainly due to repayment of loan from a related company and proceeds from disposal of available-for-sale investments.

For each of the years ended 31 December 2011 and 2012, the Group recorded net cash outflow for its financing activities as a result of payment of dividends. There was no net cash used in or generated by financing activities for the three months ended 31 March 2013.

Recent development and financial performance

After the Track Record Period, the Group has shown steady development.

One set of software system was sold to a new customer after the Track Record Period. Together with the other set of software system sold during the three months ended 31 March 2013, the Group has sold 2 new sets of software system in 2013 up to the Latest Practicable Date, compared with nil (other than that pursuant to exercise of purchase option embedded in a lease contract) for the year ended 31 December 2012. On the other hand, 4 new lease agreements for lease of the upgraded Futures Front Office System as mentioned below were signed after the Track Record Period.

SUMMARY

The Group has also made considerable progress in its upgrade of the Securities Front Office System and Futures Front Office System to cope with the proposed launch of new trading platform of the securities market and the futures market in the first quarter of 2014 and the fourth quarter of 2013 respectively. Details of the progress are set out on pages 107 to 110 in the paragraph headed “Research and development” under the section headed “Business” of this prospectus.

The Group has commenced to offer its existing customers package to upgrade their Securities Front Office System and Futures Front Office System to cope with the new trading platforms since May 2013. For the Securities Front Office System, the Group provided one-off sale package for the OCG interface to its existing customers (regardless of whether they purchased or leased the Securities Front Office System). For the Futures Front Office System, new lease agreements for the lease of the upgraded Futures Front Office System were entered into with its existing customers. Up to the Latest Practicable Date, 3 existing customers of the Securities Front Office System and 4 existing Futures Front Office System have entered into relevant contracts with the Group. Moreover, the new set of systems sold after the Track Record Period mentioned above was also related to the upgraded Futures Front Office System.

Based on the unaudited financial information of the Group for the four months ended 31 July 2013, there was no material adverse change in the Group’s financial performance subsequent to the Track Record Period. The Group’s revenue for the first 7 months of 2013 was at similar level as that for the first 7 months of 2012.

PLACING STATISTICS

**Based on the Placing
Price of HK\$0.82 per
Share**

Market capitalisation HK\$164 million

Unaudited pro forma adjusted
net tangible assets per Share HK20 cents

Notes:

1. The number of the Placing Shares and the calculation of the market capitalisation of the Shares are based on the enlarged issued share capital of 200,000,000 Shares, being the aggregate number of Shares in issue as at the date of this prospectus and the number of Shares to be issued pursuant to the Placing and the Capitalisation Issue.
2. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in Appendix II to this prospectus and on the basis that 200,000,000 Shares are issued and outstanding assuming the Placing and the Capitalisation Issue had been completed on 31 March 2013.

DIVIDEND POLICY

Dividends may be paid out by way of cash or by other means that the Directors consider appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including results of operations, financial condition, the payment by the Group’s subsidiaries of cash dividends to the Company, and other factors the Board may deem relevant.

SUMMARY

The Group declared and paid dividends of HK\$17,920,000 and HK\$3,600,000 for the years ended 31 December 2011 and 2012 respectively. There will be no assurance that the Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors believe that the Listing can strengthen the Group's financial position and enable the Group to implement its business strategies, details of which are set out in the section headed "Business Objectives and Strategies" in this prospectus. In addition, the Directors expect that the Listing will bring the following benefits to the Group and its shareholders:

1. access to the capital market for future growth;
2. promotion of the Group as an active financial trading software solution provider in Hong Kong; and
3. enhancement of loyalty and morale of the Group's staff.

The Directors consider that net proceeds from the Placing are crucial for financing the Group's business strategies. The Directors estimate that the net proceeds from the Placing (after deducting underwriting fees and estimated expenses payable by the Group in connection with the Placing of approximately HK\$12.4 million) will be approximately HK\$28.6 million based on the Placing Price of HK\$0.82 per Placing Share. It is at present intended that the net proceeds will be applied for the period from the Latest Practicable Date to 31 December 2015 as follows:

	From the Latest Practicable Date to 31 December 2013 (HK\$'000)	Percentage of net proceeds (%)	For the six months ending 30 June 2014 (HK\$'000)	Percentage of net proceeds (%)	For the six months ending 31 December 2014 (HK\$'000)	Percentage of net proceeds (%)	For the six months ending 30 June 2015 (HK\$'000)	Percentage of net proceeds (%)	For the six months ending 31 December 2015 (HK\$'000)	Percentage of net proceeds (%)	Total (HK\$'000)	Percentage of net proceeds (%)
Enhancing product development by developing new products and improving its existing products	2,490	8.7	2,660	9.3	2,460	8.6	2,900	10.1	1,755	6.1	12,265	42.9
Expanding the customer base	500	1.7	500	1.7	500	1.7	500	1.7	500	1.7	2,500	8.7
Possible acquisition of an IT company	-	-	-	-	13,000	45.5	-	-	-	-	13,000	45.5
Working capital	830	2.9	-	-	-	-	-	-	-	-	830	2.9
Total	3,820	13.4	3,160	11.1	15,960	55.8	3,400	11.9	2,255	7.9	28,595	100.0

For further details, please refer to pages 159 to 160 in the section headed "Reasons for the Placing and Use of Proceeds" of this prospectus.

SUMMARY

RISK FACTORS

The Directors believe that there are certain risks involved in the Group's operations, many of which are beyond the Group's control. They can be broadly categorised into risks relating to the Group's business, risks relating to the industry, and risks relating to the Placing, among which, the relatively material risks encompass the risks of (i) failure to continue the existing contracts or secure contracts from existing and new customers; (ii) uncertainty in the success or marketability of the Group's research and development projects; (iii) failure to upgrade the Group's systems to accommodate the new trading platforms of HKEx; (iv) the Group's reliance on key executives and personnel; (v) adverse impact on the Group's financial performance for the year ending 31 December 2013 caused by expenses incurred in connection with the Listing; (vi) failure to meet criteria to capitalise development costs; (vii) the Group's ability to keep up with rapid change in technology in a cost-effective way; and (viii) competition. You should carefully consider the risk factors set out in this prospectus before you make a decision to invest in the Shares. Please refer to pages 26 to 35 in the section headed "Risk Factors" of this prospectus for further details.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“Ample Capital” or “Sponsor”	Ample Capital Limited, a corporation licensed to carry on business in types 4, 6 and 9 regulated activities (advising on securities, advising on corporate finance and asset management) under the SFO, and the sponsor of the Listing
“Articles” or “Articles of Association”	the articles of association of the Company adopted on 10 September 2013 and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed to it in the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“business day”	a day (other than a Saturday or Sunday) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 149,990,000 Shares to be made upon capitalisation of an amount of HK\$1,499,900 standing to the credit of the share premium account of the Company as referred to in the paragraph headed “Written resolutions of the Shareholders passed on 10 September 2013” in Appendix IV to this prospectus
“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

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the Peoples’ Republic of China, but for the purpose of this prospectus only and except where the context requires otherwise, references in this prospectus to “China” and the “PRC” do not include Hong Kong, Macau and Taiwan
“Companies Law”	the Companies Law (as revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Company”	Finsoft Corporation (匯財軟件公司), a company incorporated in the Cayman Islands on 18 December 2012 as an exempted company with limited liability
“connected person(s)”	has the same meaning ascribed to it in the GEM Listing Rules
“Controlling Shareholder(s)”	the controlling shareholders (having the meaning ascribed to it in the GEM Listing Rules) of the Company, namely, Luster Wealth, Woodstock and Mr. Chan
“Director(s)”	the director(s) of the Company
“Efficient Channel”	Efficient Channel Limited, a company incorporated in the BVI on 26 October 2012 with limited liability and wholly-owned by Mr. Kwok, a significant shareholder (having the meaning ascribed to it in the GEM Listing Rules) of the Company
“Efficient Channel Investment Agreement”	the share sale and purchase agreement dated 27 November 2012 entered into amongst Infinite Capital, Luster Wealth, Efficient Channel and Mr. Chan in relation to the sale of 750 shares of Infinite Capital to Efficient Channel by Luster Wealth
“Futures Exchange”	Hong Kong Futures Exchange Limited
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	The Rules Governing the Listing of Securities on GEM (as amended from time to time)

DEFINITIONS

“Glory Stand”	Glory Stand Investments Limited, a company incorporated in the BVI on 2 January 2009 with limited liability and a company owned as to 85%, 6.5%, 6.5%, 1% and 1% by Woodstock, Mr. Li, Mr. Lai, Mr. Liu and Mr. Wong, respectively
“Gracious Queen”	Gracious Queen Limited, a company incorporated in the BVI on 22 August 2012 with limited liability and an indirect wholly-owned subsidiary of the Company
“Group”	the Company together with its subsidiaries and in respect of the period before the Company became the holding company of its present subsidiaries, the companies that are the present subsidiaries of the Company
“HK\$” or “HK dollar(s)” and “cent(s)”	Hong Kong dollar(s) and cent(s) respectively, the lawful currency of Hong Kong
“HKEx”	Hong Kong Exchanges and Clearing Limited, the holding company of the Stock Exchange, the Futures Exchange and HKSCC
“HKFRS”	Hong Kong Financial Reporting Standards
“HKMA”	Hong Kong Monetary Authority
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“iAsia (BVI)”	iAsia Online Systems Limited (亞洲網上系統有限公司) (formerly known as iAsia Online Systems Limited), a company incorporated in the BVI on 9 January 2001 with limited liability and an indirect wholly-owned subsidiary of the Company
“iAsia (Macau)”	iAsia Online Systems (Macau) Limited (亞網系統(澳門)有限公司) (iAsia Sistemas Online (Macau) Limitada), a company incorporated in Macau with limited liability on 5 May 2008 and was deregistered on 14 January 2013
“Independent Third Party(ies)”	a person(s) or company(ies) which is/are not connected with (within the meaning of the GEM Listing Rules) any directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates

DEFINITIONS

“Infinite Capital”	Infinite Capital Ventures Limited, a company incorporated in the BVI on 16 November 2012 with limited liability and a direct wholly-owned subsidiary of the Company
“Ipsos”	Ipsos Hong Kong Limited, an Independent Third Party, being a professional market research company
“Ipsos Report”	the industry report dated 18 September 2013 prepared by Ipsos, the contents of which is quoted in this prospectus
“Latest Practicable Date”	11 September 2013, being the latest practicable date for ascertaining certain information prior to the printing of this prospectus
“Lead Manager”	Astrum Capital Management Limited, the lead manager in respect of the Placing, which is a company incorporated in Hong Kong with limited liability and is a licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which dealings in the Shares on GEM first commence, which is expected to be on 26 September 2013
“Listing Division”	the listing division of the Stock Exchange
“Luster Wealth”	Luster Wealth Limited, a company incorporated in the BVI on 18 September 2012 with limited liability and a Controlling Shareholder
“Macau”	the Macau Special Administrative Region of the PRC
“Memorandum” or “Memorandum of Association”	the memorandum of association of the Company adopted on 10 September 2013 and as amended from time to time
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr. Chan”	Mr. Chan Sek Keung, Ringo, the chairman of the Board, a non-executive Director and a Controlling Shareholder interested in 85% of the issued share capital of Luster Wealth through Woodstock
“Mr. Kwok”	Mr. Kwok Shun Tim, who owns the entire issued share capital of Efficient Channel

DEFINITIONS

“Mr. Lai”	Mr. Lai Wai Ho, Samson, an executive Director and the Group’s chief technology officer, holding 6.5% of the issued share capital of Luster Wealth
“Mr. Li”	Mr. Li Hoi Kong, an executive Director and the Group’s chief operating officer, holding 6.5% of the issued share capital of Luster Wealth
“Mr. Liu”	Mr. Liu Hon Kit, a member of senior management of the Group and the project director of iAsia (BVI), holding 1% of the issued share capital of Luster Wealth
“Mr. Wong”	Mr. Wong Cheuk Wai, a member of senior management of the Group and the business development director of iAsia (BVI), holding 1% of the issued share capital of Luster Wealth
“Nomination Committee”	the nomination committee of the Board
“Offer Size Adjustment Option”	the option granted by the Company to the Lead Manager under the Underwriting Agreement to require the Company to issue up to an additional 7,500,000 Shares, representing 15% of the number of the Placing Shares initially available under the Placing at the Placing Price, details of which are set out in the section headed “Structure and Conditions of the Placing” of this prospectus
“Placing”	the conditional placing by the Underwriters on behalf of the Company of the Placing Shares for cash at the Placing Price, as further described under the section headed “Structure and Conditions of the Placing” in this prospectus
“Placing Price”	HK\$0.82 per Placing Share (exclusive of any brokerage fee, SFC transaction levy and Stock Exchange trading fee)
“Placing Shares”	50,000,000 new Shares being offered by the Company for subscription at the Placing Price under the Placing together, where relevant, with any additional Shares which may be issued pursuant to the Offer Size Adjustment Option; a Placing Share means one of these Shares
“Remuneration Committee”	the remuneration committee of the Board

DEFINITIONS

“Reorganisation”	the corporate reorganisation of the Group underwent prior to the issue of this prospectus in preparation for the Listing, details of which are set out in the paragraph headed “Corporate Reorganisation” in Appendix IV to this prospectus
“SFC”	The Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Share Option Scheme”	the share option scheme conditionally approved and adopted by the Company on 10 September 2013, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Substantial Shareholder(s)”	the substantial shareholder(s) (having the meaning ascribed to it in the GEM Listing Rules) of the Company
“Track Record Period”	the period comprising the years ended 31 December 2011 and 2012, and the three months ended 31 March 2013
“Underwriters”	the underwriters of the Placing named in the paragraph headed “Underwriters” in the section headed “Underwriting” of this prospectus
“Underwriting Agreement”	the conditional underwriting agreement dated 17 September 2013 and entered into between, among others, the Company, the executive Directors, the Sponsor, the Lead Manager and the Underwriters, particulars of which are set out in the section headed “Underwriting” in this prospectus
“US\$”	United States dollars, the lawful currency of the United States of America

DEFINITIONS

“Wealthy Link”	Wealthy Link Technology Limited (維富科技有限公司), a company incorporated in Hong Kong with limited liability on 24 April 2012 and an indirect wholly-owned subsidiary of the Company
“Woodstock”	Woodstock Management Limited, a company incorporated in the BVI on 3 January 1997 with limited liability, a Controlling Shareholder through its interest in 85% of the issued share capital of Luster Wealth, and is beneficially wholly-owned by Mr. Chan
“%”	per cent.

GLOSSARY OF TECHNICAL TERMS

The glossary contains explanations of certain terms used in this prospectus in connection with the Group and its business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“AMS”	the Automatic Order Matching and Execution System, the first generation of electronic stock trading system as installed and operated by the Stock Exchange launched in November 1993
“AMS/2”	the second generation of the Automatic Order Matching and Execution System of the Stock Exchange launched in January 1996
“AMS/3”	the third generation of the Automatic Order Matching and Execution System of the Stock Exchange launched in 2000
“AMS/3.8”	an upgraded version of AMS/3 currently used by the Stock Exchange since December 2011
“Android”	a Linux-based operating system designed primarily for touch screen mobile devices
“arbitrage”	a trade that profits by exploiting price differences of identical or similar financial instruments, on different markets or in different forms
“Authorised Institution”	an institution authorised by the Hong Kong Monetary Authority under section 16(1) of the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) to carry on banking business or the business of taking deposits in Hong Kong
“BSS”	the broker supplied system, developed and operated by the Stock Exchange Participant for trading purposes, and includes any server, terminal and other device connected to it
“Bullion”	a term used to describe any product produced from a precious metal whose value is determined almost entirely by its precious metal content
“CAGR”	compound annual growth rate
“CG”	Central Gateway, a new generation of market access interface developed by HKEx to replace NG
“CGSE”	The Chinese Gold and Silver Exchange Society

GLOSSARY OF TECHNICAL TERMS

“COSO”	the Committee of Sponsoring Organisations of the Treadway Commission. Established in the United States of America, COSO is a recognised leader in the global marketplace in the development of guidance in the areas of risk and control which enable good organisational governance and reduction of fraud
“DCASS”	Derivatives Clearing and Settlement System, the clearing and settlement system for the derivatives products of HKEx and launched in April 2004
“FIX”	Financial Information Exchange protocol, a messaging standard developed specially for the real time electronic exchange of securities transactions
“FIX interface”	an add-on software extension, enabling a software system to communicate electronically in FIX
“Futures Exchange Participant(s)”	a person 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
“FX” or “forex”	foreign exchange
“Genium INET”	a new technology platform to be launched by HKEx to achieve improvement in order capacity, clearing capacity and ultra-low order processing latency for HKATS and DCASS
“HKATS”	Hong Kong Futures Automatic Trading System, the trading platform of all products of the Futures Exchange and stock options
“HSI”	the Hang Seng Index, a stock index tracking the Hong Kong stock market compiled by HSI Services Limited
“Internet” or “internet”	an international computer network, a combination of computer networks that speak the same protocols and that are connected to each other by high-speed telephone circuits through which information providers can make information available to users/customers globally
“IPO”	initial public offering

GLOSSARY OF TECHNICAL TERMS

“iOS”	a mobile operating system developed and distributed by Apple Inc.
“IT”	information technology
“Loco London gold trading”	in Hong Kong, this refers to trading gold OTC on the London market
“market making”	offering of bid and ask prices to provide enhanced liquidity for a financial products to allow investors to transact at almost any time during trading hours
“mobile application” or “mobile app”	a software application designed to run on smartphones, tablet and other mobile devices and is available through application distribution platforms, which are typically operated by the owner of the mobile operating system
“MWS”	the Multi-workstation System developed by the Stock Exchange and operated by the Stock Exchange Participant for trading purposes, and includes any server, terminal and other devices connected to it
“NG”	Network Gateway, a hardware and software component operated by the Futures Exchange Participants which provides the communication interface between HKATS, workstation or OAPI and other devices
“OAPI”	OMnet Application Programming Interface, a connection interface to HKATS
“OCG”	Orion Central Gateway, a new generation of market access interface developed by HKEx to replace OG
“OG”	Open Gateway, a hardware and software component operated by the Stock Exchange Participant, which provides the communication interface between AMS/3, MWS or BSS and other devices
“online”	being connected to the Internet or network
“OTC”	over-the-counter
“real-time”	occurring immediately, events simulated by a computer at the same speed that they would occur in real life

GLOSSARY OF TECHNICAL TERMS

“server”	a computer system that allows other computers to connect to it, which stores information and allows client computers to retrieve information for users
“software”	a system, utility or application programme expressed in a computer readable language
“Stock Exchange Participant(s)”	a person who, in accordance with the rules of the Stock Exchange, may trade on or through the Stock Exchange; and whose name is entered in a list, register or roll kept by the Stock Exchange as a person who may trade on or through the Stock Exchange
“tablet”	a one-piece mobile computer primarily operated by touch screen
“Windows”	an operating system developed by Microsoft
“Windows 8”	the current release of Windows

RISK FACTORS

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special considerations associated with an investment in the Company before making any investment decision in relation to the Company.

RISKS RELATING TO THE GROUP'S BUSINESS

The Group may fail to continue the existing contracts or secure further contracts from existing customers, or may fail to win contracts from new customers

The Group's revenue during the Track Record Period was mainly derived from providing software systems to its customers and the on-going maintenance of such software systems. A considerable amount of the Group's revenue has been generated from existing customers. In particular, a large part of the aggregate revenue from the Group's existing customers is recurring income. For the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013, the recurring income from existing customers accounted for approximately 43.2%, 63.6% and 67.0% respectively of the Group's revenue. The Group's ability to maintain its revenue stream depends on its capability to continue the existing contracts as well as secure new contracts. Accordingly, the Group's revenue will fluctuate depending on the number of contracts secured by it.

The Group has entered into service contracts with its customers for lease and/or maintenance of its software systems. The initial term of such contracts lasts between 12 to 24 months. However, the customers may terminate the contracts if the Group is in breach of the terms or conditions of the contracts. Moreover, the Group generally did not renew the lease and/or maintenance contracts in written form with the customers after the initial term. Instead, the lease and/or maintenance of software systems continue through monthly (or quarterly, semi-annually or annually for maintenance contracts) issue of invoices and payment of lease and/or maintenance fees until terminated by either party.

The Group cannot assure that the existing customers will continue to engage the Group's trading software for their business. If the Group fails to continue the existing contracts or secure contracts from these customers for whatever reason, and the Group is unable to win contracts from new customers on comparable terms or at all, the Group's business, results of operations and financial condition could be adversely affected.

The Group's research and development projects may not be successful or marketable

The Group has plans to develop the Order Management System network, which is an order routing network consisting of the Order Management System software and hardware such as servers, storage system and network equipment. In order to build up such an order routing network, the Group has to procure hardware and rent a data centre. There is no guarantee that the development of such order routing network can be successful or such order routing network can be marketable. Should the Group fail to establish such network or market such network to customers successfully, the Group's investment in the hardware and rental of data centre will be wasted and the investment costs incurred during the research and development stage may not be recouped.

The Group plans to charge a fee for users of the Order Management System network which will be based on the trading commission received by the brokers for each transaction executed through the Order

RISK FACTORS

Management System network, plus a fixed monthly fee. However, there is no guarantee that there will be any transactions executed through the Order Management System by the users of this network. In such a case, the revenue model for the Order Management System may not yield the desired financial result as planned.

The Group also has plans to develop a number of other products, including Algorithmic Trading System, Mobile App for Tablet and Mobile App for Retail Investors. Details of these products under research and development and their tentative launch dates are set out in the paragraph headed “Research and development — Products under development/to be developed” under the section headed “Business” of this prospectus. However, there is no guarantee that all or any of the Group’s research and development projects may be successful or will be completed within the expected timeframe. Should the Group fail to develop these new products as planned, the Group risks losing potential and existing customers to competitors that provide similar products. The Group’s market share, hence its business and financial performance, may be adversely affected.

The Group may fail to upgrade its systems to accommodate the new trading platforms of HKEx

As discussed in more details in the paragraph headed “Transition of trading platform” under the section headed “Industry Overview” of this prospectus, HKEx will launch the new OCG in the first quarter of 2014 to gradually phase out and ultimately replace the current OG. In addition, both HKATS and DCASS will be upgraded to the new Genium INET platform, migrating from the current NG to CG.

In response to the change in trading platforms stipulated by HKEx, the Group has launched a migration project to enhance the Securities Front Office System and the Futures Front Office System. The Group has commenced to upgrade the trading interface with the Stock Exchange from OG to OCG for securities trading and with the Futures Exchange from NG to CG for futures trading. Since the fourth quarter of 2012, the Group has started ongoing development testing and integration testing with HKEx. The upgrade for the Securities Front Office System is expected to be completed after the end-to-end test arranged by HKEx in the fourth quarter of 2013, while the Group’s upgraded Futures Front Office System passed the certification test arranged by HKEx in June 2013 and the basic development work is completed. Please refer to the paragraph headed “Research and development — Existing products under enhancement/to be enhanced” under the section headed “Business” of this prospectus for detailed discussion of the status of development of this migration project.

Currently, the Group’s contracts with its customers include free enhancement to these customers’ software systems where mandatory changes are required by HKEx and the SFC. In this regard, the Group will have to modify/upgrade its customers’ software systems to accommodate the new trading platforms. If these modifications are costly, complicated, and/or time-consuming, the Group may not be able to recoup such costs from the Group’s existing contracts with its customers.

Furthermore, the Group cannot assure investors that the upgraded software systems would be compatible with the new OCG and CG platforms. There is a risk that the Group may lose both existing and potential customers as a result of the Group’s inability to upgrade its software systems to accommodate this mandatory change by HKEx. There is also a risk that the Group’s customers may claim the Group for breach of contract should the Group fail to modify/upgrade its systems to accommodate the new trading platforms or any new trading infrastructure, rules and regulations which are provided as part of the after sales support and maintenance services. The Group’s financial position may be adversely affected as a result.

RISK FACTORS

If the Group's key executives and personnel cease to serve the Group and the Group fails to recruit appropriate replacement in a timely manner, the Group's business and operation may be adversely affected

The Group's success is, to a significant extent, attributable to the experience of the executive Directors and members of the senior management, particularly Mr. Li and Mr. Lai. Mr. Li is an executive Director and the Group's chief operating officer overseeing the Group's operation, business development, customer support, quality assurance and finance and administration. Mr. Lai is an executive Director and the Group's chief technology officer, and plays a significant role in the Group's development, particularly in software research and product development.

Should any of the Group's key executives cease to serve the Group and the Group fails to recruit appropriate replacement in a timely manner, the Group's business and operation may be adversely affected.

In addition, the Group's success depends considerably on other experienced technical staff members, including but not limited to, those staff members responsible for the development and enhancement of the Group's products. Out of 22 employees in the development team, 10 of them have been working with the Group for 5 years or more and have accumulated relevant technical expertise and market know-how. Such staff members are much sought after in the labour market as the financial software products industry is highly competitive. Therefore, the Group's future success depends on its ability to continue to attract and retain highly qualified technical and managerial staff with the appropriate technical expertise and domain knowledge of the financial industry. In the event that the Group's competitors offer more attractive compensation packages, the Group may not be able to retain them to sustain its business growth, or its staff expenses in relation thereto may increase substantially, both of which could have a material adverse effect on the Group's business and financial result.

The Group's financial performance for the year ending 31 December 2013 would be adversely affected by expenses incurred in connection with the Listing

As explained in the paragraph headed "Use of proceeds" under the section headed "Reasons for the Placing and Use of proceeds" in this prospectus, the estimated expenses to be incurred in connection with the Listing is approximately HK\$12.4 million based on the Placing Price of HK\$0.82 per Share, assuming the Offer Size Adjustment Option is not exercised. Such estimated expenses, which are non-recurrent in nature, are attributable as to (i) approximately HK\$4.4 million which was regarded as incremental costs directly attributable to the proposed issue of new Shares under the Listing and will be deducted from equity upon completion of the Listing; and (ii) approximately HK\$8.0 million which was regarded as costs associated with the Listing to the extent they are incremental costs not attributable to the equity transaction and to be charged to the Group's combined statements of comprehensive income. Approximately HK\$0.8 million of the Listing expenses was charged to the Group's combined statements of comprehensive income for the year ended 31 December 2012 and the remaining HK\$7.2 million will be recognised for the year ending 31 December 2013.

Shareholders should note that the financial performance of the Group for the year ending 31 December 2013 would be materially and adversely affected by the estimated expenses in relation to the Listing, and the Group's net profit is expected to be significantly lower than that for the year ended 31 December 2012.

RISK FACTORS

If the Group's development costs fail to meet criteria as set out in Hong Kong Accounting Standard 38 "Intangible Assets" ("HKAS 38"), they cannot be capitalised as intangible assets and have to be recognised as an expense

Research costs are recognised as an expense in the period in which it is incurred. Development costs that are directly attributable to the design and testing of identifiable systems and satisfied the criteria as set in the HKFRS are capitalised and will be amortised over the estimated useful life of the new systems once they are available for use. The Group has applied HKAS 38 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which allows internally-generated intangible assets to be capitalised only if it meets the criteria as set out in HKAS 38. Certain development costs in relation to the development of various products as incurred by the Group during the Track Record Period have been capitalised as intangible assets. Details of the criteria under HKAS 38 and the capitalisation of the Group's development costs are set out in the paragraph headed "Analysis of various items from the statements of financial position — Intangible assets" under the section headed "Financial Information" of this prospectus.

Nevertheless, development costs that do not fulfill the criteria are recognised as expenses in the period in which it is incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. The current status and total estimated costs of the products under development are set out in the paragraph headed "Research and development — Product under development/to be developed" under the section headed "Business" of this prospectus. If these estimated costs to be incurred during the year ending 31 December 2013 do not meet the criteria as set out in HKAS 38 and thus cannot be capitalised as intangible assets and recognised as an expense, the Group's financial results for the year ending 31 December 2013 would be adversely affected.

The Group may fail to sustain high gross profit margin

For the years ended 31 December 2011 and 2012 and the three months ended 31 March 2012 and 2013, the Group's gross profit margin amounted to approximately 70.0%, 67.3%, 69.3% and 73.4% respectively. Nevertheless, there is no assurance that the Group will be able to sustain its high profit margin in the future. For the years ended 31 December 2011 and 2012 and the three months ended 31 March 2012 and 2013, direct staff cost amounted to approximately 50.3%, 76.8%, 78.9% and 85.4% respectively of the Group's cost of sales. The Group's direct staff cost may increase due to market pressure or the Group may have to hire more staff for development of products. In the event that the Group fails to contain other costs, a drop in revenue would further drive down the Group's gross profit margin.

If the Group does not protect its intellectual property rights, unauthorised use and misappropriation of the Group's technology could occur

The Group's business development and continuous success depends to a large extent on its ability to protect its intellectual property rights. It may be possible for a third party to copy or otherwise obtain and use the Group's proprietary technology without its authorisation, or to develop similar technology independently. Policing unauthorised use of the Group's proprietary technology is difficult and the Group cannot assure investors that the steps to be taken by the Group will prevent misappropriation or infringement of the Group's proprietary technology. In addition, litigation may be necessary in the future to enforce the Group's intellectual property rights, protect the Group's trade secrets or determine the validity and scope of the proprietary rights of others, all of which could result in substantial costs, diversion of the Group's resources and the Group management's time and, as a result, significantly harm the Group's business.

RISK FACTORS

The Group may experience delay in delivery to customers and cost overrun

The procedures and timetable for delivery of the Group's products to customers are outlined in the paragraph headed "Work flow" under the section headed "Business" of this prospectus. Upon the signing of contract, delivery and/or installation of the Group's products at the customers' premises may take 2 to 10 months depending on factors such as the complexity of customer requirements and modifications. However, the Group may fail to fully comprehend the complexity of the customer's requirement when agreeing on the expected delivery time with the customers.

The Group's delivery schedule may also be hindered by other factors beyond its control if third parties are involved in the project, such as late delivery by third-party vendors. Accordingly, there is no guarantee that the Group will be able to deliver its products and services within the agreed timeframe or at all. If the Group fails to install, deliver, and/or tailor and develop its products in accordance with the contract, the Group's reputation within the industry may suffer. The delay could also result in overrun of staff costs because of the prolonged completion of the project, hence adversely affect the Group's profitability.

In addition, any delay in delivery of the Group's products to customers may subject the Group to claims and compensation for breach of contract. The Group may need to devote a significant amount of time and resources to defend such potential claims and ultimately be required to provide compensation. The Group's business and financial condition could therefore be materially and adversely affected.

Lack of mortgagee's consent may cause the Group to relocate its office

The Group has leased its office in Wanchai, Hong Kong from an Independent Third Party. This leased property was, and still is, subject to mortgage and the relevant consent of the mortgagee for the grant of the tenancy in respect of the property has not been obtained. The Group tried to obtain the authorisation from the landlord so that the Group could make the request to the relevant bank for the consent directly. However, the landlord rejected the Group's request. The lack of mortgagee's consent may result in the mortgagee obtaining possession of the property with the Group having no security of tenure as against the mortgagee.

As a result, the Group may be required to relocate its business operations that are currently carried out at its current office. Such relocation could result in the Group incurring additional costs and business interruption, and/or may face an increase in rental payment for the alternative premises, thereby adversely affecting its business, financial condition and results of operations.

More details are set out in the paragraph headed "Properties" under the section headed "Business" of this prospectus.

The Group may not be able to implement future plans successfully

The Group's future business plans are based on the Directors' existing intentions and some of them are at preliminary stages. These business plans and intentions are based on assumptions as to the occurrence of certain future events, which may or may not materialise, and the real situation might differ materially. Furthermore, the Group's future business plans may be hindered by other factors beyond its control, such as competition within the financial market and from other software vendors. Therefore, there is no assurance that any of the Group's future business plans will materialise, or result in the

RISK FACTORS

conclusion or execution of any agreement within the planned time frame, or that the Group's objectives will be fully or partially accomplished. For details of the Group's future plans, please refer to the section headed "Business Objectives and Strategies" of this prospectus.

The Group's business development may be hindered if the Group is unable to obtain additional funding to expand its business

The Group currently has no bank borrowings. The Group may need to raise funds in addition to its currently available cash resources and the net proceeds of the Placing, or through public or private financing, strategic relationships or other arrangements, in order to support more rapid expansion of the Group's business. The Group cannot assure investors that additional funds will be available when needed on terms favourable to the Group, if at all. If adequate funds are unavailable to the Group on acceptable terms, the Group may be unable to develop or enhance its products and services, take advantage of future opportunities or respond to competitive pressures or unanticipated events, any of which could have a material adverse effect on the Group's business development.

Intended acquisition of an IT company may contain risks and/or does not contribute to the Group's business as planned

After the Listing, the Group has future plan of acquiring an IT company to contribute to the scale of operations and further development of the Group's business. There is no guarantee that the legal and financial due diligence conducted on the potential target by the Group will be adequate to reveal all potential risks. In addition, there is no guarantee that the acquisition will contribute in the manner envisioned by the Group, if at all, to the Group's business and operations. If any potential acquisition by the Group contains hidden or unforeseen risks and/or does not contribute to the Group's business according to expectations, the Group's financial condition and operations may be adversely affected.

The Group has limited insurance coverage and may be subject to potential product liability claim

Given the Group's mode of operations, the Group currently has limited insurance coverage and does not maintain any product/service liability insurance. Details of the Group's insurance policies are set out in the paragraphs headed "Product liability" and "Insurance" under the section headed "Business" of this prospectus.

The products developed and distributed by the Group may contain defects or errors which may affect customers' business operations or the performance of such software products. The Group may incur costs in correcting the defects or errors or defending any legal proceedings and claims brought by its customers. Defects or errors that may be contained in the Group's software products may also affect the Group's relationship with such customers and result in negative publicity, hence adversely affect the Group's reputation. There can be no assurance that there will not be any product liability claims against the Group in the future. Moreover, there can be no assurance that the limited liability provisions incorporated in the contracts of the Group are enforceable and serve to limit the liability of the Group effectively.

The Group's introduction of new products and services could be delayed or otherwise compromised if the Group becomes involved in litigation with respect to the use of the Group's intellectual property or if the Group fails to obtain any new technology necessary for its operations

The success of the Group depends, in large part, on its ability to use and develop its technologies and know-how without infringing the intellectual property rights of third parties. The Group's current or

RISK FACTORS

potential competitors, many of which may have substantial resources and have made substantial investments in competing technologies, or may have or may obtain patents that will prevent, limit or interfere with the Group's ability to develop or sell its products. Any infringement claim made by a third party relating to these technologies (whether the Group internally develops or obtains licence from other third parties for utilisation) would significantly disrupt the Group's business. The Group cannot assure investors that no similar technologies are currently available from other third parties or that other third parties cannot develop similar technologies.

In addition, there is a possibility that in the course of utilising the Group's technologies, the Group may inadvertently breach the technological rights of others and may face liabilities for such breach. An adverse determination in any such litigation or proceedings to which the Group may become a party could cause it to pay damages, seek licences from third parties, pay ongoing royalties, redesign the Group's products, or be restricted by injunctions. Hence, the Group's intellectual property rights could be compromised and its business, future prospects, and reputation could be materially harmed.

Further, as the Group continues to introduce new products and services, the Group may need to obtain licence to utilise the technologies from third parties. The Group cannot assure investors that these technology licences will be available to the Group on commercially viable terms, if at all. The loss of the Group's existing technologies, the failure to obtain any new technology necessary for the Group's operations or the inadvertent breach of technological rights of other third parties could delay or compromise the introduction of new products and services and may significantly harm the Group's business and financial condition.

The Group may risk its reputation and name recognition by failing to provide quality services

The Directors believe that the Group must maintain its reputation and name recognition as these are crucial to attract customers in the financial software products industry. The provision of quality services and products is vital to the promotion and enhancement of the Group's reputation. However, there is no guarantee that the Group can always respond to customers' needs and maintain the quality of its services and products. In the event that the Group is unable to do so, the Group's reputation and competitiveness may deteriorate, and its business may be adversely affected.

RISKS RELATING TO THE INDUSTRY

The Group may not be able to keep up with rapid change in technology in a cost-effective way

The Group's future success will depend upon its ability to enhance its current software systems and to introduce new software systems that keep pace with the technological developments and emerging industry standards, and address the increasingly sophisticated needs of its customers in a cost-effective way. Should the Group be unable to keep up with the rapid change in technology, the sales and profitability of the Group's products and services may be adversely affected.

If the Group fails to compete with its competitors, its potential for expansion and profitability would be adversely affected

The Directors consider that competition will be keen in the coming years, particularly in the securities and futures markets due to the transition from OG to OCG for linkage to AMS/3 and from NG to CG for linkage to the new Genium INET platform.

RISK FACTORS

The Group mainly targets Category B and Category C brokers and local banks in Hong Kong. As advised by the Directors, the Group's main competitors are local software vendors that target the same categories of customers. These local software vendors' strength lies in their experience and familiarity with the Hong Kong market, which may rival or surpass that of the Group.

The Group is also facing increasing competition from software vendors from the PRC. Competitors from the PRC will hold certain advantages over the Group, including but not limited to geographical proximity to the PRC customers, reputation and goodwill amongst the PRC brokerage firms, as well as language and cultural compatibility. In addition, the PRC competitors are likely to have an advantage in terms of a large and less costly labour force. Should the Group fail to capture business from the PRC brokerage firms, it may adversely affect the expansion and profitability of its business.

As the Group further expands and reaches out to financial institutions of larger scales, such as Category A brokers, the Group may come into competition with international software vendors that focus their markets on Category A and Category B brokers. These international software vendors hold advantages over the Group in terms of firm size, resources, and international exposure and reputation. If the Group fails to compete with international software vendors, it may adversely affect the Group's potential for expansion and profitability.

The Group is dependent on the financial and brokerage industry and its market participants, any market consolidation may adversely affect its business development

The Group currently develops, sells and leases its products and services to market participants in the financial and brokerage industry. The financial and brokerage industry is characterised by intensive competition, especially with the lifting of the minimum commission fee restrictions. Intensive competition in the financial and brokerage industry will inevitably affect the profit margins of market participants and may consequently affect such participants' willingness to invest in new technologies or to expand their current usage of existing technologies. This may adversely affect the Group's business development.

Traditional small to medium sized brokerage firms, including the Group's target customers, may face competition from larger brokers that have more capital, resources or experience. The possible emergence of consolidation of the brokerage industry in Hong Kong may lead to reduction in the number of the players in the industry. Should the number of the Group's potential and existing customers or their size of operations decrease, the Group's existing business and future growth potential may be adversely affected.

The Group's financial results may be affected by the volatility of the financial markets of Hong Kong

The Group's target customers are financial institutions operating in Hong Kong whose demand for the Group's products is dependent upon their business operation and expansion needs, which, to a large extent, are dependent upon the performance of the financial markets of Hong Kong as a whole. The Hong Kong financial markets are directly affected by, among others, the global and local political and economic environments.

RISK FACTORS

Any sudden downturn in the global economic and political environments, which are beyond the control of the Group, may adversely affect the financial market sentiment in general. Severe fluctuation in market and economic sentiments may also result in a prolonged period of sluggish market activities which would in turn have adverse impact on the business and operating performance of the Group's target customers, hence their demand for the Group's products. As such, the revenue and profitability of the Group may fluctuate and there is no assurance that the Group will be able to maintain its historical results in times of difficult or unstable economic conditions. Historical profit levels of the Group should not be relied solely on as an indication of its future financial performance.

RISKS RELATING TO THE PLACING

Certain statistics and facts in this prospectus have not been independently verified

This prospectus includes certain statistics and facts that have been extracted from government official sources and publications or other sources. The Company believes that the sources of these statistics and facts are appropriate for such statistics and facts and has taken reasonable care in extracting and reproducing such statistics and facts. The Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts have not yet been independently verified by the Company, the Sponsor, the Lead Manager, the Underwriters, any of their respective directors or any other party involved in the Placing and therefore, the Company makes no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Due to possibly flawed or ineffective collection methods or discrepancies between published information, market practice and other problems, the statistics in this prospectus may be inaccurate or may not be comparable to statistics produced for other publications or purposes and you should not place undue reliance on them. Furthermore, there is no assurance 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 give consideration as to how much weight or importance they should attach to, or place on, such information or statistics.

Possibility of a lack of an active trading market for the Shares and significant fluctuation of their trading prices

Prior to the Listing, no public market for the Shares existed. An application has been made to the Stock Exchange for the listing and permission to deal in the Shares. However, a listing of the Shares on the Stock Exchange does not guarantee a liquid public market for the Shares after the Listing. If an active public market for the Shares does not develop after the Listing, the market price and liquidity of the Shares may be adversely affected.

The market price and trading volume of the Shares may be highly volatile. Factors such as variations in the Group's revenues, earnings or cash flow and/or announcements of new investments, 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 are no assurances that these developments will or will not occur in the future and it is difficult to quantify the impact on the Group and on the trading volume and market price of the Shares. In addition, the Shares may be subject to changes in the market condition, which may not be directly related to the Group's financial or business performance.

RISK FACTORS

Shareholders' equity interests may be diluted

The Group may need to raise additional funds in the future to finance, inter alia, expansion or new developments relating to its existing operations or new acquisitions. If additional funds are raised through the issue of new equity and equity-linked securities of the Company other than on a pro-rata basis to the existing Shareholders, the percentage ownership of the Shareholders in the Company may be reduced and Shareholders may experience dilution in their percentage shareholdings in the Company. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

Granting options under the Share Option Scheme would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share

The Company has conditionally adopted the Share Option Scheme although no options have been granted thereunder as at the Latest Practicable Date. Any exercise of the options to be granted under the Share Option Scheme in the future and issue of Shares thereunder would result in the reduction in the percentage ownership of the Shareholders and may result in a dilution in the earnings per Share and net asset value per Share, as a result of the increase in the number of Shares outstanding after such issue. Under the HKFRS, the costs of the options to be granted to staff under the Share Option Scheme will be charged to the Group's consolidated statement of comprehensive income over the vesting period by reference to the fair value at the date on which the options are granted under the Share Options Scheme. As a result, the Group's profitability and financial results may be adversely affected.

Future sales of Shares by existing Shareholders may materially and adversely affect the prevailing market price of the Shares

The Shares beneficially owned by certain existing Shareholders are subject to certain lock-up periods. There are no assurances that any Substantial Shareholders or Controlling Shareholders will not dispose of the Shares held by them following the expiration of the lock-up periods, on any Shares they may come to own in the future. The Group cannot predict the effect, if any, of any future sales of the Shares by any Substantial Shareholder or Controlling Shareholder on the market price of the Shares. Sale of a substantial amount of Shares by any of them or the issue of a substantial amount of new Shares, or the market perception that such sale or issue may occur, could materially and adversely affect the prevailing market price of the Shares.

There may be dilution effect of Shares if the Company issues additional Shares in the future

The Company may issue equity securities in the future to finance the operations and business strategies (including in connection with acquisitions and other transactions), to adjust the ratio of debt to equity, to satisfy the obligations upon the exercise of outstanding warrants or options or for other reasons. Any issuance of such equity securities could dilute the interests of the existing Shareholders and could substantially decrease the trading price of the Shares.

Investors of the Shares may experience dilution in the net tangible asset book value per Share of their Shares if the Company issues additional Shares in the future at a price which is lower than the net tangible asset book value per Share.

FORWARD-LOOKING STATEMENTS

The Company has included in this prospectus forward-looking statements that are not historical facts, but relate to its intentions, beliefs, expectations or predictions for future event. 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, the Company uses the words “aim”, “anticipate”, “believe”, “continue”, “could”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “propose”, “seek”, “should”, “will”, “would” and similar expressions or statements to identify forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- its business strategies and plans of operations;
- its capital expenditure and funding plans;
- projects under construction and planning;
- general economic conditions;
- capital market development;
- the trends of industry and technology;
- certain statements in the section headed “Financial Information” of this prospectus with respect to trends in prices, volumes, operations;
- margins, overall market trends, risk management and exchange rates;
- the regulatory environment for the financial industry in general; and
- other statements in this prospectus that are not historical fact.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond the control of the Company. In addition, these forward-looking statements reflect the current views of the Company 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, but are not limited to those discussed under the section headed “Risk Factors” and elsewhere in this prospectus.

These forward-looking statements are based on current plans and estimates, and speak only as of the date they are made. The Company undertakes no obligation 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 the control of the Company. The Company cautions 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 prospectus might not occur in the way the Company expects, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to these cautionary statements.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

Printed copies of this prospectus are available, for information purposes only, at the offices of (i) Ample Capital Limited at Unit A, 14th Floor, Two Chinachem Plaza, 135 Des Voeux Road Central, Hong Kong, and (ii) Astrum Capital Management Limited at 11th Floor, 122 QRC, Nos. 122-126, Queen's Road Central, Central, Hong Kong during normal office hours from 9:30 a.m. to 5:00 p.m. from 18 September 2013 up to and including 26 September 2013.

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus sets out the terms and conditions of the Placing. This prospectus is published solely in connection with the Placing, which is sponsored by the Sponsor and managed by the Lead Manager and is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Further information about the Underwriters and the underwriting arrangements is contained in the section headed "Underwriting" in this prospectus.

PLACING PRICE

The Placing Shares are offered at the Placing Price.

PLACING SHARES TO BE OFFERED IN HONG KONG ONLY

Each person acquiring the Placing Shares will be required to confirm or be deemed by his acquisition of Placing Shares to confirm that he is aware of the restrictions on offers and sales of the Placing Shares described in this prospectus.

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

The distribution of this prospectus and the offering of the Placing Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities as an exemption therefrom.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

The Placing Shares are offered for subscription solely on the basis of the information contained, and the representations made in this prospectus. No person is authorised in connection with the Placing to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Sponsor, the Lead Manager, the Underwriters, any of their respective directors or employees or any other persons involved in the Placing.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Placing (including the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and any Shares to be issued under the Capitalisation Issue).

Save as disclosed herein, no part of the share or loan capital of the Company is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought in the near future.

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

Only securities registered on the branch register of members of the Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of listing and at all times thereafter, the Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of the Company in the hands of the public.

PROFESSIONAL TAX ADVICE RECOMMENDED

Investors for the Placing Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding, purchase, disposal of or dealing in the Shares or exercising their rights thereunder. It is emphasised that none of the Company, the Directors, the Sponsor, the Lead Manager, the Underwriters and their respective directors or employees or any other persons involved in the Placing accepts responsibility for any tax effects on, or liability of, holders of Shares resulting from the subscription for, holding, purchase, disposal of or dealing in the Shares.

REGISTRATION AND STAMP DUTY

All the Shares will be registered on the register of members of the Company in Hong Kong. Dealings in the Shares registered on the Company’s register of members maintained in Hong Kong will be subject to Hong Kong stamp duty.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on GEM and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date, or on any other date HKSCC chooses.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

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

All necessary arrangements have been made for the Shares to be admitted into CCASS.

COMMENCEMENT OF DEALING IN THE SHARES

Dealing in the Shares on GEM is expected to commence on 26 September 2013 under the GEM stock code 8018. Shares will be traded in board lots of 2,500 Shares each.

The Company will not issue any temporary document of title.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure and conditions of the Placing are set out in the section headed “Structure and Conditions of the Placing” of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING
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DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Li Hoi Kong (李海港)	Flat B, 35/F, Block T3 Harbour Green 8 Sham Mong Road Tai Kok Tsui Kowloon Hong Kong	Chinese
Mr. Lai Wai Ho, Samson (黎偉豪)	Flat E, 33/F, Block 12 Ocean Shores Tseung Kwan O Kowloon Hong Kong	Chinese
<i>Chairman and non-executive Director</i>		
Mr. Chan Sek Keung, Ringo (陳錫強)	Flat B, 13/F, Tower 2 Regent On The Park 9A Kennedy Road Mid Levels, Central Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Ms. Lee Kwun Ling, May Jean (李筠翎)	Flat 15C, Tower 3 Hillsborough Court 18 Old Peak Road Mid Levels Hong Kong	British
Mr. Tai Man Hin, Tony (戴文軒)	Flat 10B, 10/F All Fit Garden 20 Bonham Road Central Hong Kong	British
Mr. Yuen Shiu Wai (袁紹槐)	Flat H, 3/F, Block 6 Bauhinia Mansion Whampoa Garden Hung Hom Kowloon Hong Kong	British

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

PARTIES INVOLVED IN THE PLACING

Sponsor	Ample Capital Limited Unit A, 14th Floor Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong
Lead Manager	Astrum Capital Management Limited 11/F, 122 QRC Nos. 122–126 Queen’s Road Central Central Hong Kong
Co-Lead Managers	Ample Orient Capital Limited Unit A, 14th Floor Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong Taiping Securities (HK) Co Limited 29/F, China Insurance Group Building 141 Des Voeux Road Central Central Hong Kong
Legal advisers to the Company as to Hong Kong law	Loong & Yeung Suites 2001–2005, 20th Floor Jardine House, 1 Connaught Place Central, Hong Kong
Legal advisers to the Company as to Cayman Islands law	Appleby 2206-19 Jardine House 1 Connaught Place Central, Hong Kong
Legal advisers to the Sponsor and the Underwriters as to Hong Kong law	Fairbairn Catley Low & Kong 23/F, Shui On Centre 6-8 Harbour Road Hong Kong
Auditors and reporting accountants	HLB Hodgson Impey Cheng Limited 31/F, Gloucester Tower, The Landmark 11 Pedder Street, Central Hong Kong

CORPORATE INFORMATION

Registered office	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters, head office and principal place of business in Hong Kong	23/F, W Square 318 Hennessy Road Wanchai Hong Kong
Authorised representatives	Mr. Li Hoi Kong Mr. Lam Kit Sun
Company secretary	Mr. Lam Kit Sun, <i>CPA</i>
Compliance officer	Mr. Li Hoi Kong
Members of the Audit Committee	Mr. Tai Man Hin, Tony (<i>Chairman</i>) Mr. Yuen Shiu Wai Ms. Lee Kwun Ling, May Jean
Members of the Remuneration Committee	Mr. Yuen Shiu Wai (<i>Chairman</i>) Ms. Lee Kwun Ling, May Jean Mr. Li Hoi Kong
Members of the Nomination Committee	Mr. Chan Sek Keung, Ringo (<i>Chairman</i>) Ms. Lee Kwun Ling, May Jean Mr. Yuen Shiu Wai
Members of the Compliance Committee	Mr. Li Hoi Kong (<i>Chairman</i>) Mr. Lai Wai Ho, Samson Mr. Tai Man Hin, Tony Ms. Law Hau Yan
Principal share registrar and transfer office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands

CORPORATE INFORMATION

Hong Kong branch share registrar and transfer office

Union Registrars Limited
18th Floor
Fook Lee Commercial Centre
Town Place
33 Lockhart Road
Wanchai
Hong Kong

Principal bankers

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Hong Kong

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Central
Hong Kong

Compliance adviser

Ample Capital Limited
Unit A, 14th Floor
Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

Website of the Company

www.finsoftcorp.com
(information contained in this website does not form part of this prospectus)

INDUSTRY OVERVIEW

The information and statistics set out in this section have been extracted from various publicly available official sources including (i) the SFC; (ii) HKEx; and (iii) the Ipsos Report. The Group believes that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Group has no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by the Group, the Lead Manager, the Sponsor, the Underwriters or any other party involved in the Placing and no representation is given as to its accuracy.

The information extracted from the Ipsos Report reflects estimates of market conditions based on samples, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in the Group. The Directors believe that the sources of information extracted from the Ipsos Report are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. The Directors have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. The information extracted from the Ipsos Report has not been independently verified by the Group, the Lead Manager, the Sponsor, the Underwriters or any other party involved in the Placing and no representation is given as to its accuracy.

COMMISSIONED REPORT FROM IPSOS

The Company commissioned Ipsos, an independent market research company, to conduct an analysis of and produce the report on the financial trading software solution industry in Hong Kong. Ipsos received a total fee of HK\$208,000, which the Sponsor believes such reflects the market rate.

The Directors confirm that Ipsos, including all of its subsidiaries, divisions and units, is independent of and not connected with the Group in any way. Ipsos has given its consent to quote from the Ipsos Report and to use information contained in the Ipsos Report in this prospectus.

Founded in Paris, France, in 1975 and publicly-listed on the Paris Stock Exchange in 1999, Ipsos SA acquired Synovate Ltd. in October 2011. After the combination, Ipsos became the third largest research company in the world which employs approximately 16,000 full-time personnel worldwide across 85 countries. Ipsos conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence.

The information contained in the Ipsos Report is derived by means of data and intelligence gathering methodology which includes: (i) desk research; (ii) client consultation; and (iii) primary research by interviewing key stakeholders and industry experts in Hong Kong including, but not limited to, financial trading software solution providers, financial trading software solution users and associations and experts. Intelligence gathered has been analysed, assessed and validated using Ipsos' in-house analysis models and techniques.

THE FINANCIAL MARKET IN HONG KONG

Since the Group is principally engaged in the development, sale and lease of financial trading software solutions with principal products being trading and settlement systems for various financial products traded in Hong Kong, the Group's business is highly correlated to the success of the financial market in Hong Kong. The participants in the Stock Exchange, Futures Exchange, forex and bullion market form a pool of potential customers of the Group's products and services.

Securities market in Hong Kong

In the last five years, the world economy was adversely affected by the financial tsunami. Together with the debt crisis across the Euro zone, stock markets around the globe were substantially depressed comparing to early 2007 and the global economy has been under slow recovery. The trading markets in Hong Kong, with no exception, were under the sentiment of uncertainty inducing a slow-down in trading activities. Fluctuation in market statistics was thus recorded.

Securities

For the period from 2007 to 2012, total trading volume on the Stock Exchange decreased by approximately 38.8% from approximately HK\$21,666 billion to approximately HK\$13,268 billion according to the website of HKEx.

Stock Exchange Participants

A person who wishes to trade listed securities on or through the facilities of the Stock Exchange must be a Stock Exchange Participant holding a Stock Exchange trading right. As at 31 December 2012, there were 511 Stock Exchange trading participants according to the website of HKEx.

Stock Exchange Participants are classified into three categories:

- Category A — the 14 largest firms by market turnover;
- Category B — the 15th to 65th largest firms by market turnover; and
- Category C — other stockbrokers in the market.

INDUSTRY OVERVIEW

Category C firms have historically captured a majority of the retail trading in Hong Kong, but are gradually being squeezed out of the market by large institutions from Category A, as well as Category B firms which have sufficient economies of scale to offer comprehensive and sophisticated service platforms than the traditional brokers. Below is the distribution of market participants' market shares from 2007 to 2012:

Year	Category A (Position 1 to 14)	Category B (Position 15 to 65)	Category C (Position >65)
2007	50.37%	37.75%	11.85%
2008	53.02%	36.30%	10.68%
2009	52.02%	35.34%	12.64%
2010	51.08%	36.15%	12.77%
2011	53.63%	35.00%	11.37%
2012	57.72%	31.83%	10.45%

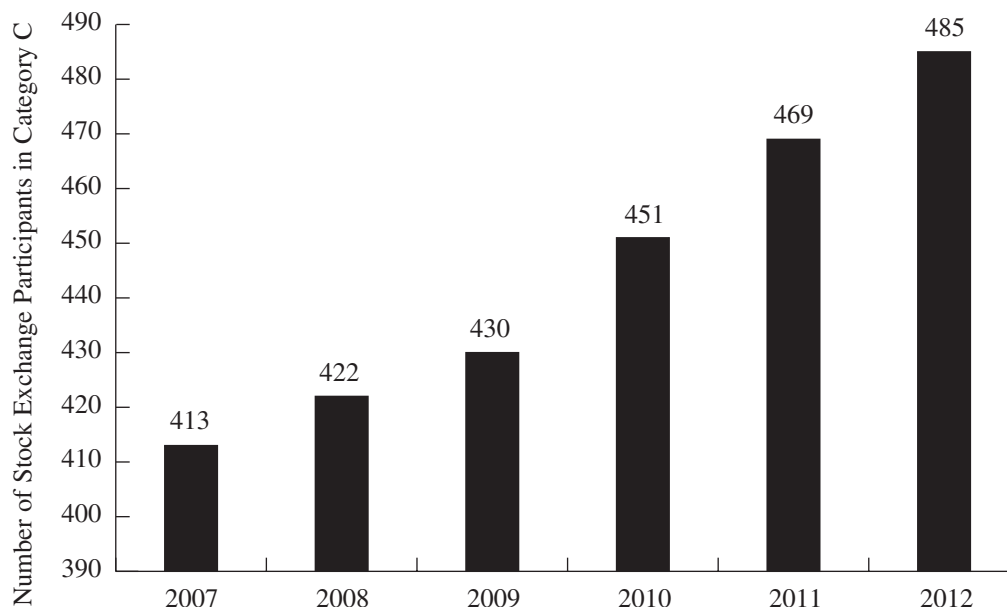
Source: HKEx Fact Book 2012

Note: The table includes all Stock Exchange Participant firms that had paid transaction levy, investor compensation levy (if applicable) and trading fee to the Stock Exchange.

As illustrated above, the brokerage business in Hong Kong is dominated by certain large firms, in particular those in Category A, the top 14 firms accounted for more than 50% of the market turnover in the past few years.

There is intense competition among brokers in the form of reduction of commission fees and increased competition from banks. Moreover, the operating costs of brokers have increased due to the tightening of the regulatory environment. Despite this, the number of Category C firms has continued to show growth.

Below table sets out the number of Stock Exchange Participants in Category C:



INDUSTRY OVERVIEW

In any event, the Hong Kong Securities & Futures Professionals Association stated in an interview in July 2013 that the number of brokerage firms in Hong Kong may see a 25% decline in the next five years due to the difficult operating environment. The Directors are of the view that the impact of such reduction in the number of brokerage firms on the Group, if it really happens, would be the reduction of the size of the pool of potential customers and increased competition among vendors of financial trading software solution. However, the Directors consider that the business opportunity brought by the change in trading infrastructure of HKEx as mentioned in the paragraph headed “Transition of trading platform” under this section can mitigate such adverse impact. In addition, this threat faced by the brokers can offer the Group the market opportunity to offer them less costly trading solution such as the Order Management System, the details of which are set out in the paragraph headed “Research and development” under the section headed “Business” of this prospectus.

Futures market in Hong Kong

Today, derivatives products offered by the Futures Exchange include four main types, namely, (a) equity index products; (b) equity products; (c) interest rate and fixed income products; and (d) gold futures. Among these, HSI futures are the most popular derivatives at the Futures Exchange.

For the period from 2007 to 2012, the number of futures and options contracts traded on the Futures Exchange increased from approximately 88 million to approximately 120 million according to the website of HKEx, representing a growth of approximately 36.2%.

Futures Exchange Participants

A person who wishes to trade on or through the facilities of the Futures Exchange must be a Futures Exchange Participant holding a Futures Exchange Trading Right. As at 31 December 2012, there were 185 Futures Exchange trading participants according to the website of HKEx.

Foreign Exchange Market in Hong Kong

Forex, unlike other financial markets, is not tied to an actual central exchange. Forex market is an over-the-counter or off-exchange market by banks, companies and ordinary people who are constantly trading currencies through direct negotiation between buyers and sellers. The forex market operates 24 hours a day, and, unlike the stock market, has no official openings or closings. Major instruments include (i) FX spot; (ii) outright forwards; (iii) FX swaps; (iv) currency swaps; and (v) currency options. Retail Forex in Hong Kong is mostly conducted in a leveraged approach. Forex agreements are negotiated and entered into between brokers and retail customers directly.

For the period from 1998 to 2010, the daily net turnover of the Hong Kong Forex market increased from approximately US\$79 billion to US\$237.6 billion, representing a growth of approximately 200.8%.

Forex Market Participants

A person who wishes to conduct leveraged Forex trading must be an Authorised Institution or obtain a license from the SFC. As at 31 December 2012, there were 37 licensed corporations engaged in Type 3 (leveraged foreign exchange trading) activity.

Bullion Market in Hong Kong

Gold trading has a long history in Hong Kong which is one of the world's major trading centres in gold. As for companies providing gold trading services in general in Hong Kong, they are not required to register with or obtain a license from the SFC. These gold trading activities are conducted through direct negotiation between buyers and sellers over-the-counter, or between brokers and retail customers in the retail market. Gold trading between bullion brokers in Hong Kong is mainly conducted through CGSE or via companies providing Loco London gold trading services in Hong Kong.

The Chinese Gold and Exchange Society

CGSE was established in 1910 in the wake of the active trading of gold and silver between bank houses and modern banks. CGSE plays an important role in providing both local and overseas investors opportunities to trade in the gold market of Hong Kong. Currently, there is no specific legislation in Hong Kong to regulate bullion trading, and companies are not required to be registered with or applied for a license with the SFC or HKMA. Hence CGSE also acts as a self-regulatory body for its members and members of CGSE must comply with the fit and proper criteria on a continuous basis.

CGSE's constitution limits its number of members to 192. It had 171 member firms which are sole proprietorships, partnerships or limited companies as at 31 December 2012.

CGSE uses the open outcry method where member firms and floor traders call out bids and ask prices in the trading hall. CGSE also uses an electronic trading platform, which was launched in March 2008.

TRADING INFRASTRUCTURE IN HONG KONG

As the Group's products and services are principally sold and provided to financial institutions trading financial products in Hong Kong, the design and development of the Group's products are highly dependent on the trading infrastructure in Hong Kong.

(i) Securities

All securities listed on the Stock Exchange are traded through AMS. According to the website of HKEx, AMS was first introduced in November 1993 to accommodate the increasing volume of business as well as to cope with the rapid technological advances and growing demand for more efficient trading environment. Prior to the launch of AMS, trading on the Stock Exchange was conducted manually, either through its internal telephone system or the open outcry system where Stock Exchange Participants negotiated face-to-face on the trading floor.

In January 1996, securities trading was further upgraded with AMS/2 terminals, allowing for off-floor trading. However, under this system, investors still had to telephone brokers to place orders.

INDUSTRY OVERVIEW

The third generation of AMS, known as AMS/3, was launched in October 2000, which was a catalyst for further market participation online. AMS/3 has extensive capabilities in various areas, including multi-market support, multiple choices of trading methods, market data dissemination and disaster recovery functions. Currently, the Stock Exchange is using version AMS/3.8 which was rolled out in December 2011. This latest upgrade increased the trading system's processing capabilities by about 10-fold to 30,000 orders per second and reduced latency 2 milliseconds on an average trading day.

Under AMS/3.8, there are two approaches to trading — Terminal Approach and Gateway Approach:

- Terminal Approach — trading is conducted through AMS/3.8 trading terminals, which allow for securities trading in Hong Kong only. This means trading can be conducted through input terminals located on the Stock Exchange's trading floor, or through off-floor terminals installed at the Stock Exchange Participants' offices with a maximum of two off-floor terminals per Stock Exchange seat held. The trading terminal does not support connection to any external system. The build-in functionalities are limited to basic market access and trading facilities including order placing and trade enquiry.
- Gateway Approach — brokers can obtain market accessibility using an Open Gateway. To perform trading functions, brokers need to connect their trading facility to the OG device. Brokers can connect to OG through (i) BSS, which is an in-house developed system or third-party software package developed by commercial vendors; and (ii) MWS which is a Windows-based trading facility offered and supported by HKEx. MWS supports terminal's trading functions and additionally risk management functions at workstation level, while BSS can centralise and integrate with the bank or brokerage firm's risk control standard. BSS also supports more features such as program trading and allows greater flexibility by interfacing with external systems.

AMS/3 provides investors with channels including the Internet and mobile phones for submitting their trade orders by utilising its order routing system function, which was developed by the Stock Exchange. Stock Exchange Participants using BSS devices can receive investor orders collected via the internet or mobile phone, thus allowing investors another method to trade with ease.

(ii) Futures

According to the website of HKEx, Automatic Trading System, an electronic trading system of the Futures Exchange was introduced in 1995. It was subsequently upgraded and renamed as the Hong Kong Futures Automatic Trading System in 1999. In 2000, HKATS became the trading platform for all products traded on the Futures Exchange when the trading in HSI futures contracts and option contracts migrated from an open outcry system to electronic trading system. With HKATS, users can view real-time price information on a computer screen, click on a bid or ask price and execute an order.

INDUSTRY OVERVIEW

Under HKATS, there are two approaches to trading: Workstation Approach and OAPI Approach:

- Workstation Approach — Each workstation is installed with an interface program, OM Click Trade, which connects HKATS users through a gateway at an Futures Exchange Participant's site to the central marketplace. Futures Exchange Participants can request for the installation of Click workstation by completing and returning the Click workstation installation request form. Click workstation is built in basic functions such as market data access and order placing.
- OAPI Approach — The OAPI is the customer interface to HKATS. The interface enables programming of fast and reliable business transactions. All trades are synchronous and sequential, i.e., the OAPI processes only one transaction and process at a time. However, a single transaction may contain many operations, requests or orders, forcing central resources to process different requests concurrently.

Through the use of the OAPI, Futures Exchange Participants can connect their in-house trading front ends, clearing and risk management systems to HKATS supporting more comprehensive functions as compared to Click workstation.

(iii) Forex

A centralised trading infrastructure is not available for Forex market since Forex trading is conducted over-the-counter. Deals are negotiated directly between buyers and sellers and no centralised exchange is employed for trade matching.

(iv) Bullion

The electronic trading system of CGSE was introduced in March 2008. It provides a platform for trading of bullion products among participating licensed brokers through terminal approach.

(v) Settlement systems of securities and futures trading

CCASS, a computerised book-entry clearing and settlement system for transactions executed on the Stock Exchange, was introduced in 1992 according to the website of HKEx. It accepts share certificates from its participants and holds them in the CCASS depository and posts electronic share credits to the stock accounts of the depositing participants. Settlement of transactions is recorded electronically by HKSCC as net increases or decreases in participants' stock account balances, without any physical transfer of share certificates. HKSCC also facilitates payments through the use of electronic money transfers between the participants' designated banks. Stock Exchange Participants are required to settle all their trades in eligible securities through CCASS.

The derivatives products being traded through the Futures Exchange are settled through DCASS which is owned and operated by HKFE Clearing Corporation Limited and the SEHK Options Clearing House Limited. DCASS was first launched in April 2004. It is a fully electronic and automated clearing and settlement system capable of supporting various types of derivatives products.

INDUSTRY OVERVIEW

Futures Exchange Participants can access DCASS through a terminal or through an Application Programme Interface (API), based on the HKATS Open API. Through the DCASS terminal, Futures Exchange Participants can (i) access information on specific accounts, including propagation and position details; (ii) perform on-line trade and position management functions; (iii) submit on-line exercise instructions; and (iv) estimate margin requirements based on their actual or hypothetical positions. They can also access margining parameters and data for margining.

Transition of trading platform

HKEx has introduced a new trading platform for the securities market, namely OCG, which will be another building block of HKEx's next generation core platforms according to the website of HKEx. The OCG will eventually replace the existing OG through a phased migration. OCG will be rolled out tentatively by the first quarter of 2014. It will initially run in parallel with the existing OG. After the transitional period, OG connecting BSSs will be de-commissioned around mid 2015. As part of the HKEx's future plan, both HKATS & DCASS will be upgraded in the same exercise to the new trading platform for the futures market — Genium INET, migrating from the existing NG to CG. It will tentatively be rolled out by the fourth quarter of 2013 and fully implemented by 2017. In general, these new generations of trading platforms are, among other things, expected to expand the trading capacity of the interface which allows an increased number of orders to be processed per unit of time.

Under these transition plans, both trading brokers and vendors of trading systems will be affected. For the securities market, terminals and MWS will no longer be supported by the new trading platform after migration in 2015. According to the website of HKEx, HKEx is working on the migration plan for these devices, however no concrete plan had been announced as at the Latest Practicable Date. For the futures market, workstations will no longer be supported by the new trading platform after migration in 2017. According to the website of HKEx, Futures Exchange Participants are advised to consider switching from workstations to OAPI systems as soon as possible. In case no replacement machines are offered by HKEx, lower-tier trading brokers who are still using terminals or workstations will be forced to switch from terminals or workstations to BSSs for securities trading or OAPI systems for futures trading. The lack of capital may force these lower-tier trading brokers to step down from the trading market.

Since the design of trading and market data interfaces will be different from that under existing gateway, vendors of trading systems will have to devote development resources into modifying their existing systems to cope with the change. Vendors without sufficient resources to launch the necessary system upgrades in a timely manner will be under pressure in sustaining their business.

The competition in the vendor industry is expected to be keen in the coming years to capture the business opportunities generated from the possible trend of system upgrade.

DEFINITION OF FINANCIAL TRADING SOFTWARE SOLUTIONS

A financial trading software solution is a computer program that facilitates the operations of trading financial products such as securities, financial derivatives and forex. The computer program enables financial institutes to trade financial products and manage their client accounts. It offers a straight-through-processing platform which covers the entire life cycle of the trading and settlement process of trading financial products: from order placing, risk management, compliance to settlement. This is performed in a seamless manner to allow capital market firms to focus on maximising trading opportunities rather than managing technology and tools for sustaining a trading operation. In Hong Kong, financial trading software solution is usually tailor-made for financial institutes (e.g. securities brokers and futures brokers) according to their individual requirements. Besides providing software, financial trading software solutions also involve technology consultancy services such as system customisation, initial set up (including testing and training), real time technical support and system maintenance services. These solutions reduce the cost of financial transactions and increase the liquidity and transparency of financial trading.

Financial trading software solutions in Hong Kong include financial trading and settlement software systems, order management systems, algorithmic trading systems, mobile application software for financial trading and settlement software systems and other financial trading software solutions such as portfolio management software.

- A financial trading and settlement software system consists of both front and back office systems. Back office systems interface with various front office systems to provide software users with a fully-integrated software. The system is usually used for trading securities, futures on local and overseas exchange, bullion, and forex between the system users.
- An order management system is designed to be a centralised order routing platform which facilitates the transfer of orders from one financial institute to another, enlarging the trader base. It can be used for trading financial products such as securities, futures and bonds.
- An algorithmic trading system involves the use of electronic platforms for entering trading orders with an algorithm which executes pre-programmed trading instructions whose variables may include time, price, quantity of the order, or in many cases initiating the order without human intervention. Algorithmic trading is widely used by investment banks, pension funds, mutual funds and other buy-side institutional traders to divide large orders into several smaller orders to manage market impact and risk. Sell side traders, such as market makers and some hedge funds, provide liquidity to the market, generating and executing orders automatically.
- The mobile application software for financial trading and settlement software systems is designed for brokers or retail investors to view market prices, place orders, perform order inquiries and oversee various client management functions. It is designed for brokers or retail investors of front office system users to place orders via mobile devices.

Unlike the above-mentioned four main financial trading software solution products, other financial trading software solutions are modular designed and can be installed in financial trading and settlement software systems to enhance some of the functions in the financial trading process. Examples of other financial trading software solutions include risk management software and portfolio management software.

INDUSTRY OVERVIEW

FINANCIAL TRADING SOFTWARE SOLUTION INDUSTRY IN HONG KONG

There were about 110 vendors of financial trading software solution in Hong Kong as of December 2012. They accounted for about HK\$2,876 million of the total revenue of the financial trading software solution market in Hong Kong. Amongst the 110 vendors, there were 31 vendors on the list of HKEx on its official website (the “HKEx List”) offering BSSs or OAPI systems in Hong Kong. These 31 vendors contributed about HK\$2,109 million (or 73.3%) to the total revenue of the financial trading software solution market in Hong Kong; while the remaining 79 vendors, which were not on the HKEx List, accounted for about HK\$767 million (or 26.7%) of the total revenue of the financial trading software solution market in Hong Kong. These remaining 79 vendors also offered financial trading software solutions. However, they were comparatively smaller in scale. Amongst the 31 vendors on the HKEx List, about 61.3% (19 providers) of them were local vendors, about 32.2% (10 providers) of them were foreign vendors and about 6.5% (2 providers) of them were PRC vendors. The services offered by foreign vendors can be approximately 5 to 10 times more expensive than that of local vendors. Meanwhile, the services offered by PRC vendors are similar to the services offered by the local vendors. They compete with the local vendors by offering services at the prices of about 5%-25% lower than the local vendors. Below table sets out a comparison of operation and business strategies adopted by local and PRC vendors and foreign vendors:

	Local and PRC vendors	Foreign vendors
Company size	They are mainly small to medium sized companies based in Hong Kong and each has less than 50 employees.	They are mainly medium- to large-sized companies headquartered outside Hong Kong and China, and each has more than 50 employees. They usually have an office or branch to serve the Hong Kong market.
Products offered	They commonly offer a comprehensive range of financial trading software solutions for different financial products, as well as value-added services such as system customisation, system training and system technical support.	They commonly offer a comprehensive range of financial trading software solutions for different financial products, as well as value-added services such as system customisation, system training and system technical support. They usually also provide information technology consulting services and are interested in handling larger scale projects.
Services offered	They mainly serve the Hong Kong market.	They target at a wider geographical coverage, not only serving the Hong Kong market.

INDUSTRY OVERVIEW

	Local and PRC vendors	Foreign vendors
Target customers	They mainly target Hong Kong based financial institutes, especially focusing on “Category B” and “Category C” Stock Exchange Participants.	They mainly target financial institutes who are “Category A” and “Category B” Stock Exchange Participants, which are mainly foreign institutes (headquartered outside Hong Kong and China).
Other features	Their strength mainly lies in their vast experience of and familiarity with the market in Hong Kong, and are more flexible in terms of product and price.	Their main strengths are their international company scale, ample talents and resources, international exposure and reputation.

Financial trading and settlement software system

The financial trading and settlement software system is the principal product of all 31 vendors on the HKEx List. All vendors offer front office systems for trading securities or futures, while only approximately half of them offer back office systems for the settlement of trading securities or futures. It was estimated that the customer spending on financial trading and settlement software systems was about HK\$1,291 million in Hong Kong in 2012, accounting for about 61.2% of the total customer spending on financial trading software solutions of the 31 vendors on the HKEx List. The financial trading and settlement software systems are used by financial institutes or financial brokerage firms for trading financial products, which can be categorised into systems used for trading securities, futures, forex and bullion.

(a) System for trading securities

The financial trading and settlement software systems used for trading securities are commonly known as BSS. About 26 out of the 31 vendors on the HKEx List offered BSSs in 2012. There were an estimated 250 Stock Exchange Participants who installed and used BSSs for trading securities in 2008, with the number increasing to about 338 participants in 2012. Because of the transition of trading platform to OCG, it is expected that the estimated customer spending on BSSs will increase from about HK\$731 million in 2012 to about HK\$1,014 million in 2017, at a CAGR of about 6.8%.

(b) System for trading futures

The financial trading and settlement software system used for trading futures is commonly known as the OAPI system. About 20 out of the 31 vendors on the HKEx List offered OAPI systems in 2012. There were an estimated 74 Stock Exchange Participants who installed and used OAPI systems for trading futures in 2008, with the number increasing to about 111 participants in 2012. Similar to BSS, because of the transition of trading platform to CG, it is expected that the estimated customer spending on OAPI systems will increase from about HK\$313 million in 2012 to about HK\$445 million in 2017, at a CAGR of about 7.3%.

INDUSTRY OVERVIEW

(c) System for trading forex

About 3 out of the 31 vendors on the HKEx List offered financial trading and settlement software systems for trading forex in 2012. There were about 37 licensed corporations for leveraged foreign exchange trading under the SFC in 2012, an increase from about 26 licensed corporations in 2008. The daily value of transactions of the Hong Kong forex market increased from approximately HK\$1,412 billion in 2007 to approximately HK\$1,856 billion in 2010, at a CAGR of approximately 9.5%.

(d) System for trading bullion

About 2 out of the 31 vendors on the HKEx List offered financial trading and settlement software systems for trading bullion in 2012. There were about 171 members of CGSE in 2012, an increase from about 140 members in 2008.

The customer spending on order management systems, algorithmic trading systems and mobile application software accounted for approximately 18.0%, 19.7% and 1.1% respectively of the total customer spending on financial trading software solutions of the 31 vendors on the HKEx List in 2012.

Order management system

Only a few vendors offer order management software system separately. About 17 out of the 31 vendors on the HKEx List offered order management systems in Hong Kong in 2012. It was estimated that customer spending on order management systems amounted to approximately HK\$380 million in 2012, accounting for approximately 18.0% of the total customer spending on financial trading software solutions in the same period. The order management system becomes popular because order management can reduce the hardware cost of financial institutes and enlarge the trader base that facilitates the transfer of orders from one financial institute to pre-established destinations, and also the change, cancellation and update of orders.

Algorithmic trading system

About 13 out of the 31 vendors on the HKEx List offered algorithmic trading systems in Hong Kong in 2012. It was estimated that customer spending on algorithmic trading systems amounted to approximately HK\$415 million in 2012, accounting for approximately 19.7% of the total customer spending on financial trading software solutions in the same period. Algorithmic trading systems become popular because they can execute pre-programmed trading instructions in terms of timing, price, or quantity of the order without human intervention. Labor cost of financial institutes can be reduced with the use of algorithmic trading systems.

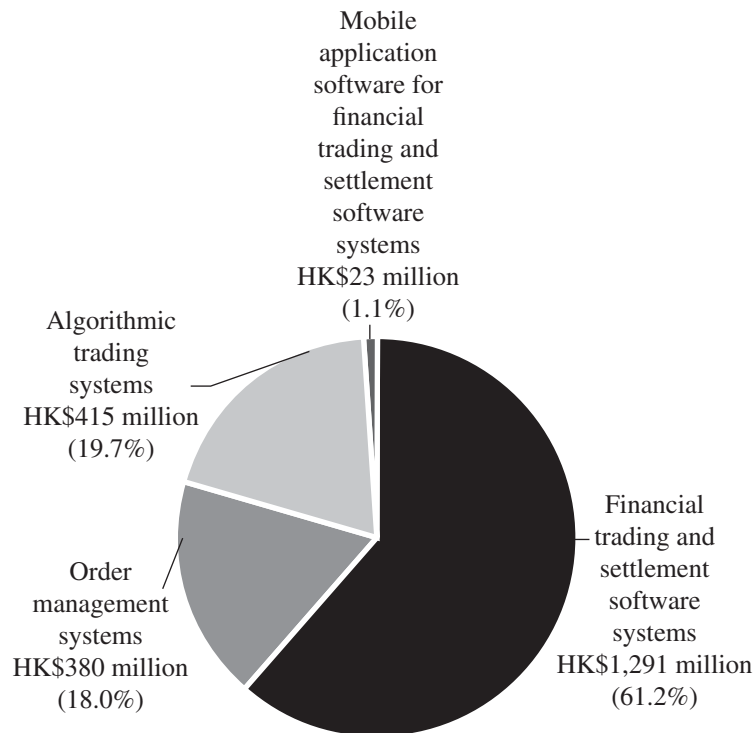
Mobile application software

About 8 out of the 31 vendors on the HKEx List offered mobile application software for settlement software systems in Hong Kong in 2012. It was estimated that customer spending on mobile application software for settlement software systems amounted to approximately HK\$23 million in 2012, accounting for approximately 1.1% of the total customer spending on financial trading software solutions in the same period. Because of the popularity of smart phones and tablets, the demand for mobile application software for financial trading and settlement software systems is expected to increase.

INDUSTRY OVERVIEW

Total customer spending on financial trading software solutions

Financial trading and settlement software systems was the largest segment in terms of customer spending on financial trading software solutions, accounting for approximately 61.2% of the total customer spending on financial trading software solutions of the 31 vendors on the HKEx List in Hong Kong of approximately HK\$2,109 million in 2012. This was followed by algorithmic trading software systems, order management software systems and mobile application software. Financial trading and settlement systems accounted for the largest spending due to its fundamental usage amongst financial institutes. Mobile application software for financial trading and settlement software systems has the lowest price, and are still at growth stage. Below chart sets out the segmentation of the estimated total customer spending on financial trading software solutions by system type in Hong Kong in 2012:

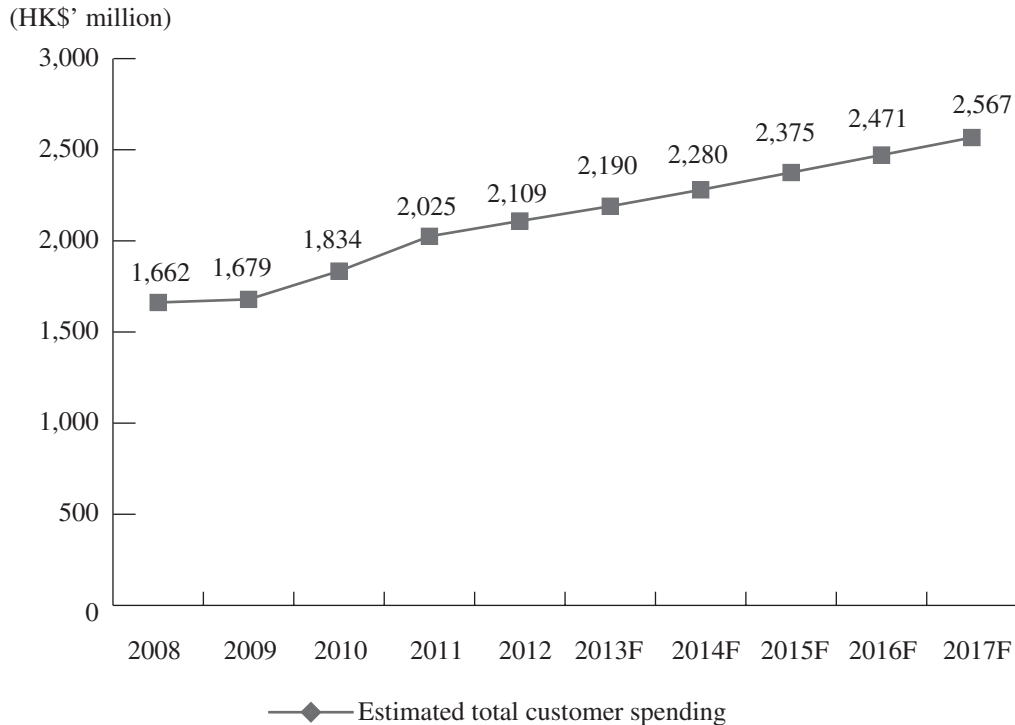


Source: Ipsos Report

The estimated total customer spending on financial trading software solutions of the 31 vendors on the HKEx List in Hong Kong grew from approximately HK\$1,662 million in 2008 to approximately HK\$2,109 million in 2012, at the CAGR of approximately 6.1%. The increase in the number of Stock Exchange Participants from 449 to 511 and Futures Exchange Participants from 148 to 185 was the key to the increase in estimated total customer spending on financial trading software solutions in Hong Kong from 2008 to 2012. These participants are likely to maintain and upgrade their trading system in order to facilitate their business operations and growth. The estimated total customer spending on financial trading software solutions of the 31 vendors on the HKEx List in Hong Kong is expected to grow from approximately HK\$2,190 million in 2013 to approximately HK\$2,567 million in 2017, at CAGR of approximately 4.1% due to the transition of trading platform to OCG and CG. Financial institutes are expected to increase spending on financial trading software solutions to comply with the transitions.

INDUSTRY OVERVIEW

Below chart sets out the estimated total customer spending on financial trading software solutions of the 31 vendors on the HKEx List in Hong Kong from 2008 to 2017:



Source: Ipsos Report

Future trends and developments

There is a growing trend of recruiting leasing services, demand for multi-channel ordering interfaces, and continual demand for algorithmic trading systems in the next 5 years.

(i) *Lease of software*

It was estimated that only approximately 20.0% of financial institutes leased financial trading software systems in 2008. However, this increased to approximately 50.0% in 2012. Although switching financial trading software systems is considered inconvenient by the financial institutes, an increasing number of them are opting for a financial trading software leasing service rather than a one-off purchase. This is due to the needs of rapid updates and upgrades of their systems to meet the HKEx requirement in order to fulfill the rapid change of business needs and the transition. Leasing financial trading software systems can reduce the initial capital investment of financial institutes, and can give them the flexibility to change software system providers if they do not receive the service they expect. In order to take advantage of the growing trend of financial trading software leasing services, vendors should consider providing a more competitive price and more value-added services to retain their current clients and appeal to prospective new clients.

INDUSTRY OVERVIEW

(ii) Increase in demand for multi-channel ordering interface

Multi-channel interfaces enable users to place orders anywhere and anytime through mobile devices, and thus they can increase the efficiency of trading. Because of the increasing popularity of smartphones and tablets, the demand for mobile phone and tablet interfaces for placing orders is expected to increase. In addition, back office systems of financial trading and settlement software are expected to upgrade in order to integrate data from multi-channels attached to front office systems.

(iii) Increase in demand for algorithmic trading systems

Due to the increasing number of financial products coupled with an increasingly complicated investment environment, the use of algorithmic trading systems with automation features can reduce manpower costs and minimise human error in financial trading. Furthermore, both brokers and traders focus their efforts on strategic decisions rather than manual work. Thus, the demand for algorithmic trading systems is expected to increase.

COMPETITIVE LANDSCAPE OF FINANCIAL TRADING AND SETTLEMENT SOFTWARE SYSTEM INDUSTRY IN HONG KONG

The financial trading and settlement software solution industry in Hong Kong is highly competitive. As of December 2012, there were about 31 vendors in Hong Kong offering BSSs or OAPI systems on the HKEx List. Due to the fragmented market nature and the presence of 31 already well-established vendors, the financial trading and settlement software solution industry is highly competitive.

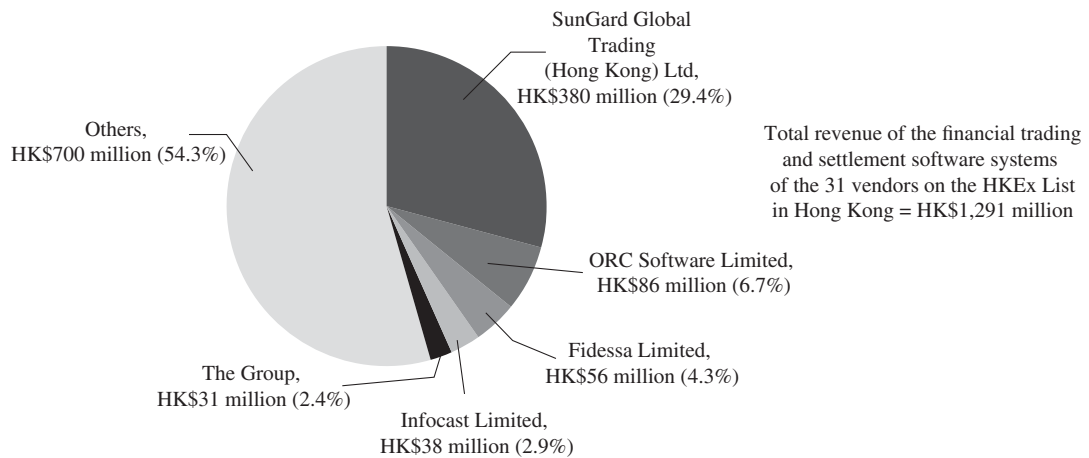
The financial trading and settlement software solution industry was fragmented, with most of the players among the 31 vendors on the HKEx List accounting for less than approximately 2.0% of their total market shares in 2012. Meanwhile, the top 5 vendors contributed approximately 45.7% to the total market shares of the 31 vendors on the HKEx List in 2012.

Amongst the 31 vendors, approximately 61.3% of them were local vendors, approximately 32.2% of them were foreign vendors and approximately 6.5% of them were PRC vendors. It is expected that more PRC vendors will enter the market due to the increase in PRC brokerage firms operating in Hong Kong. The growing entry of PRC vendors is expected to further intensify competition in the industry.

Industry players target a diverse range of exchange participants by facilitating high-frequency and low-latency trading which shows increasing popularity. They compete with each other in the market on system security, brand reputation, and the capability of integrated solutions from front office systems to back office systems. The Group ranked the fifth place among the 31 vendors on the HKEx List, accounting for approximately 2.4% of the total revenue of the financial trading and settlement software systems among the 31 vendors on the HKEx List in Hong Kong in 2012.

INDUSTRY OVERVIEW

Below chart sets out the top five vendors and their respective market share among the estimated total revenue of financial trading and settlement software systems of the 31 vendors on the HKEx List in Hong Kong in 2012:



Source: Ipsos Report

Factors of competition

System security, brand name and reputation and capability of system integration are the most critical factors for success in the financial trading and settlement software solution industry.

(i) *Quality and operating environments — system security*

A secure system can give financial institutes the confidence in the handling privacy of the sensitive personal data of investors (clients of financial institutes). Financial institutes, especially large-scale securities and brokerage firms, appear to opt for financial trading and settlement software solution providers who can provide software solutions with a higher standard of security. The level of competition in terms of this factor is high.

(ii) *Brand recognition — brand name and reputation*

Having the capability of maintaining up-to-date and accurate data of financial product transactions is an important feature of financial trading and settlement software solutions. Potential clients tend to have confidence in the services and advice offered by vendors who have a stronger reputation in reliability of their software solutions. Furthermore, with the increasing number of PRC brokerage firms entering the Hong Kong market, vendors are striving to strengthen their brand name and reputation in order to attract these potential firms. In general, PRC brokerage firms prefer purchasing software solutions offered by PRC vendors, followed by local vendors with high brand awareness and strong reputation. Therefore, vendors must strengthen their brand name and reputation in order to better compete in the market. The level of competition in terms of this factor is high.

INDUSTRY OVERVIEW

(iii) Product specification and diversifications — capability of offering integrated solutions from front office systems to back office systems

Front office systems and back office systems offered by different vendors may induce a system incompatibility problem. Thus, the capability of providing integrated and comprehensive solutions which can cover the entire trading and settlement process are in high demand by financial institutes. Therefore, increasing number of vendors are striving to offer integrated solutions from front office systems to back office systems in order to remain competitive in the market. The level of competition in terms of this factor is moderate.

(iv) Pricing

After considering system security, brand name and reputation, and capability of offering integrated solutions from front office systems to back office systems, financial institutes also take pricing into account when choosing the financial trading and settlement software solution providers. Financial institutes prefer financial trading and settlement software solution providers who offer financial trading and settlement software solutions at a lower price in order to lower their operating costs, keeping system security, brand name and reputation, and capability of offering integrated solutions from front office systems to back office systems constant. The level of competition in terms of this factor is low.

Entry barriers

Experienced experts, capital investment and established relationships will limit the number of new entrants in the financial trading and settlement software solution industry.

(i) Experienced experts

Experienced experts are important to the financial trading and settlement software solution industry as vendors in this industry rely heavily on knowledge and experience to develop customised solutions for their customers. Such experience includes knowledge of different financial products, operations of financial institutes, trading rules, regulations and financial infrastructure in the financial markets. New entrants without sufficient experience may face difficulties when trying to enter the industry.

(ii) Relationship with customers

Customers tend to stick to the same vendor once a relationship has been established. This is because all data and information must be backed up when switching financial trading and settlement software solutions. Also, changing vendors will pose the risk of data loss and system failure, hence creating barriers for new entrants.

(iii) Market opportunities and threats

The increasing number of PRC brokerage firms and the introduction of OCG and CG provide opportunities to the financial trading and settlement software industry.

INDUSTRY OVERVIEW

Opportunities

As set in the paragraph headed “Transition of trading system” under this section, Stock Exchange Participants and Futures Exchange Participants are induced to increase spending to update their financial trading and settlement software solutions, thus giving vendors potential business opportunities. Moreover, because of the booming economy in China coupled with the prosperous financial market in Hong Kong, more PRC brokerage firms have started to enter into the financial trading market in Hong Kong. Thus, vendors in Hong Kong may see an opportunity to widen their customer base with the growing number of PRC brokerage firms.

Threats

The financial trading and settlement software solution industry is highly affected by changes in Hong Kong’s general economic condition. During prosperous economic times, spending of financial institutes on financial trading and settlement software solutions increases as more software solutions are required for coping with the increasing number of investors (clients of securities and brokerage firms) and thus, they are more eager to invest in new software solutions. However, during times of economic downturn, financial institutes generally enforce cost control measures and are less willing to invest in new financial trading and settlement software solutions or to expand their current usage of existing software solutions. In addition, intensifying competition coupled with rising labor costs may threaten vendors’ profitability.

REGULATORY OVERVIEW

REGULATORY OVERVIEW

There is no specific regulatory framework in Hong Kong that governs the principal business engaged by the Group, namely the development, sale and lease of financial trading software solutions.

There are, however, laws and regulations in place dealing with copyright of computer software in Hong Kong, namely the Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) and its subsidiary legislations. Under the Copyright Ordinance, copyright gives the copyright owner the exclusive right to reproduce or issue copies of the work to the public. It is an infringement for a third party to do those acts without the consent of or a licence from the copyright owner. If an infringement occurs, the copyright owner can bring an action seeking damages or an injunction to restrain the unauthorised copying. A copyright tribunal comprising members from different sectors of the community has been established to handle copyright licensing disputes and ensure a balancing of interests. The copyright tribunal is established pursuant to section 169 of the Copyright Ordinance and its scope includes deciding disputes relating to licences offered by, or licensing schemes operated by licensing bodies in the copyright and related area. As confirmed by the Directors, during the Track Record Period and up to the Latest Practicable Date, there had been no claim against the Group in respect of infringement of intellectual property rights of any third party.

Under the Copyright Ordinance, provision is made to protect copyright works of computer programs. The Group has not registered the copyright of its software systems in Hong Kong as there is no formal procedure to register copyrights of computer software system in Hong Kong. Should there be any formal procedure to register copyright of computer software system in Hong Kong in the future, the Group may consider to register the copyright of its software systems in Hong Kong.

As confirmed by the Directors, the Group has obtained all necessary permits, approvals and licences to operate its existing business in Hong Kong from relevant governmental bodies since its establishment. Given the business engaged by the Group, the Directors confirm that the Group is not subject to any specific regulations and trading rules in Hong Kong and no particular or specific licence or permit is required for the Group to carry out its business in Hong Kong as at the Latest Practicable Date. As confirmed by the Directors, the Group is not required to ensure its software system to be sold to licensed persons or corporations (as defined under the SFO) or Stock Exchange Participants. The Directors also confirm that the Group is not subject to trading rules in other countries and where trading of overseas securities through FIX interface is involved, the Group is not subject to any rules and regulations in overseas jurisdictions on financial trading software solutions and no specific licence or agreement is required to become system vendors of participants of various exchanges as well as with overseas brokers. As advised by the Legal Counsel of the Company, apart from rules and regulations in Hong Kong generally applicable to the Group, there is no requirement of any licence or permit for the Group to engage in its principal business activities and the Group is not bound by any rules and regulations in Hong Kong specific to its principal business activities.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

BUSINESS DEVELOPMENT

The founding of the Group can be traced back to June 2009 when Glory Stand, a company then wholly-owned by Mr. Chan, acquired 80% of the issued share capital of iAsia (BVI), a company incorporated in the BVI on 9 January 2001. For details of the background and relevant experiences of Mr. Chan, please refer to the section headed “Directors, Senior Management and Staff” of this prospectus. Subsequently, iAsia (BVI) has been principally engaged in the provision of financial trading software solutions. After years of continuous efforts, the Group has successfully developed and launched trading and settlement systems for a comprehensive range of financial products and has enriched its product line from trading and settlement system of securities to stock options, futures, forex and bullion. As at 31 December 2012, the Group’s systems were installed at 64 brokers and banks, including sizeable and renowned Hong Kong and PRC based brokers and banks. The history of the Group’s major products are set out in the paragraph headed “Research and development” under the section headed “Business” of this prospectus.

The following table sets out the key milestones of the Group’s business:

2001	<p>The Group’s first operating subsidiary, iAsia (BVI), was incorporated in the BVI.</p> <p>The Group developed the first generation of Securities Front Office and Back Office Systems.</p> <p>The Group started its business cooperation with Customer A, a brokerage firm to which the Group sold Securities Front Office and Back Office Systems.</p>
2002	<p>The Group developed the second generation of Securities Front Office System.</p>
2006	<p>The Group started its business cooperation with Customer D, a bank to which the Group sold Securities Front Office and Back Office Systems.</p> <p>The Group developed the second generation of Securities Back Office System.</p>
2007	<p>The Group developed the third generation of Securities Back Office System which supported booking of overseas products.</p> <p>The Group started its business cooperation with Hong Kong Precious Metals Exchange Limited, a subsidiary of CGSE, for which the Group developed the Bullion Matching and Trading Systems.</p>
2008	<p>The Group started its business cooperation with Customer F, a brokerage firm to which the Group sold Securities and Futures Front Office Systems and Back Office Systems.</p>
2009	<p>Glory Stand, a company then wholly-owned by Mr. Chan, acquired 80% of the issued share capital of iAsia (BVI).</p> <p>The Group developed the third generation of Securities Front Office System which supported trading of overseas securities.</p>

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- 2010 The Group developed the fourth generation of Securities Front Office System which is the current version of the Group's product.
- 2012 The Group's operating subsidiary, Wealthy Link, was incorporated in Hong Kong.

CORPORATE HISTORY

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 18 December 2012. The Company has a number of direct and indirect subsidiaries incorporated in the BVI and Hong Kong. Details of the Group's major operating subsidiaries and their respective corporate history are set out below.

iAsia (BVI)

iAsia (BVI) is principally engaged in the business of development, sale and provision of financial trading software solutions.

iAsia (BVI) was incorporated in the BVI with limited liability on 9 January 2001 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each and was registered as an oversea company in Hong Kong under Part XI of the then Companies Ordinance on 6 June 2001 and now a non-Hong Kong company. Prior to the founding of the Group, iAsia (BVI) had been a subsidiary of each of Value Convergence Holdings Limited¹ ("Value Convergence"), the shares of which were listed on GEM in April 2001 (stock code: 8101) before migrating to the Main Board of the Stock Exchange (stock code: 821) in August 2008, and Melco International Development Limited ("Melco International"), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 200), respectively.

On 1 February 2001, one share of US\$1.00 of iAsia (BVI), which represented its entire issued share capital, was allotted and issued for cash at US\$1.00 to Value Convergence. At the time of its listing on GEM in April 2001, Value Convergence was principally engaged in the provision of comprehensive real time online trading solutions to brokers and other financial institutions in the Pan-Asian region and iAsia (BVI), a then wholly-owned subsidiary of Value Convergence, was inactive. Save as being the former shareholder of iAsia (BVI), Value Convergence is an Independent Third Party.

On 26 February 2004, due to group reorganisation as advised by the Directors, Melco Technology Group Limited² ("Melco Technology"), a subsidiary of Value Convergence at the time of acquisition, acquired 1 share of iAsia (BVI), which represented its entire issued share capital, from Value Convergence at a nominal consideration of US\$1.00. Save as Melco Technology being the former shareholder of iAsia (BVI), Melco Technology is an Independent Third Party.

¹ a company incorporated in Hong Kong with limited liability on 24 September 1999 (CR No.: 689407), known as Sparkle Enterprise Limited at the time of incorporation, and its name was changed to iAsia Technology Limited on 21 January 2000 and Value Convergence Holdings Limited on 13 January 2003.

² a company incorporated in Hong Kong with limited liability on 4 October 2002 (CR No.: 816762), known as Value Convergence Holdings Limited at the time of incorporation, and its name was changed to iAsia Technology Limited on 13 January 2003 and Melco Technology Group Limited on 28 May 2004.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

On 2 February 2009, pursuant to a resolution passed by the directors of iAsia (BVI), it was resolved that 9 shares of US\$1.00 each of iAsia (BVI) be allotted and issued to Melco Technology, a then wholly-owned subsidiary of Melco International, for cash at par and such shares were issued on the same day. As at the Latest Practicable Date, Mr. Chan was interested in approximately 0.60%¹ of the issued share capital of MelcoLot Limited (“MelcoLot”) (details of which are set out in the section headed “Relationship with the Controlling Shareholders and Non-competition Undertaking” of this prospectus), the shares of which are listed on GEM (stock code: 8198), and Melco International was interested in approximately 50.54% of the issued share capital of MelcoLot. Save as the aforesaid and save as being the former shareholder of iAsia (BVI), Melco International is an Independent Third Party.

On 23 February 2009, Melco Technology as vendor, Glory Stand, a company then wholly-owned by Mr. Chan, as purchaser and Mr. Chan as guarantor entered into a conditional sale and purchase agreement (the “SPA”). Pursuant to the SPA, Melco Technology had conditionally agreed to sell and Glory Stand had conditionally agreed to purchase 8 shares of iAsia (BVI), representing 80% of its issued share capital, at a consideration of HK\$12 million, which was determined through arm’s length negotiations between the parties and on a commercial basis with reference to 80% of the net asset value of iAsia (BVI) and its then subsidiaries and the attributable goodwill amounting to approximately HK\$11.56 million based on its management accounts as at 31 January 2009 and the then market condition, and was settled in cash. Mr. Chan financed the aforesaid consideration through his own funds.

Upon the completion of the aforesaid transfer on 4 June 2009, iAsia (BVI) was owned as to 80% and 20% by Glory Stand and Melco Technology, respectively. As advised by the Directors, the aforesaid transfer was due to the intention of Melco International, the holding company of Melco Technology, to streamline its businesses and focus its resources and future investment in its leisure and entertainment segment. In addition, Mr. Chan was confident in the business prospects of provision and development of financial software and intended to develop new products in relation thereto.

Under the SPA, Melco Technology granted Glory Stand a call option to require Melco Technology to sell to it the remaining 2 shares of iAsia (BVI), representing 20% of its entire issued share capital, within a period of two years from the date of completion of the SPA. On 14 July 2010, Glory Stand exercised such call option to purchase the remaining 2 shares of iAsia (BVI) from Melco Technology at the agreed consideration of HK\$3 million, which was determined with reference to the same basis as the aforesaid transfer completed on 4 June 2009 as advised by the Directors and was settled in cash. Mr. Chan financed the aforesaid consideration through his own funds. Upon completion of the transfer of 2 shares of iAsia (BVI) from Melco Technology to Glory Stand on 5 October 2010, the entire issued share capital of iAsia (BVI) was owned by Glory Stand.

¹ Mr. Chan was interested in 14,047,860 shares in MelcoLot, representing approximately 0.60% of the issued share capital of MelcoLot, of which 7,480,000 shares were held by Woodstock, a company wholly-owned by Mr. Chan, and of which 6,551,500 underlying shares were share options granted by MelcoLot to Mr. Chan.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As part of the Reorganisation, on 26 November 2012, Infinite Capital acquired 10 shares of iAsia (BVI), which represented its entire issued share capital, from Glory Stand and in consideration and as directed by Glory Stand, Luster Wealth allotted and issued 849, 65, 65, 10 and 10 shares in Luster Wealth, credited as fully paid, to each of Woodstock, Mr. Lai, Mr. Li, Mr. Wong and Mr. Liu, respectively. Upon completion of the aforesaid transfer on the same day, the entire issued share capital of iAsia (BVI) was owned by Infinite Capital. Upon completion of the Reorganisation, iAsia (BVI) became an indirect wholly-owned subsidiary of the Company.

Wealthy Link

Wealthy Link is principally engaged in the business of development of financial trading software solutions.

Wealthy Link was incorporated in Hong Kong with limited liability on 24 April 2012 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each and one share of HK\$1.00, which represented its entire issued share capital, was allotted and issued at HK\$1.00 to its subscriber on the same day.

On 11 May 2012, iAsia (BVI) acquired one share of Wealthy Link from its subscriber at a nominal consideration of HK\$1.00. Upon completion of the aforesaid transfer on the same day, the entire issued share capital of Wealthy Link was owned by iAsia (BVI).

Gracious Queen

Gracious Queen is principally engaged in provision of administrative support to the Group.

Gracious Queen was incorporated in the BVI on 22 August 2012 with limited liability with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each and one share of US\$1.00, which represented its entire issued share capital, was allotted and issued at US\$1.00 to Glory Stand on 7 November 2012.

As part of the Reorganisation, on 26 November 2012, Infinite Capital acquired one share of Gracious Queen from Glory Stand at a nominal consideration of US\$1.00. Upon completion of the aforesaid transfer on the same day, the entire issued share capital of Gracious Queen was owned by Infinite Capital. Upon completion of the Reorganisation, Gracious Queen became an indirect wholly-owned subsidiary of the Company.

INTRODUCTION OF STRATEGIC INVESTOR

On 27 November 2012, Luster Wealth and Efficient Channel entered into the Efficient Channel Investment Agreement with Infinite Capital and Mr. Chan, pursuant to which Luster Wealth agreed to sell and Efficient Channel agreed to purchase 750 shares of Infinite Capital, representing 7.5% of the issued share capital of Infinite Capital, at a purchase price of HK\$2,400,000 (the “Efficient Channel Investment”). The said purchase price was arrived at after arm’s length negotiations between Luster Wealth and Efficient Channel with reference to the unaudited consolidated net assets of iAsia (BVI) as at 31 October 2012 of approximately HK\$13.1 million and a price-to-earnings ratio of approximately 3.5 times based on the audited consolidated profit of iAsia (BVI) of approximately HK\$9.2 million as at 31 December 2011.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Efficient Channel is a limited company incorporated in BVI on 26 October 2012 and its entire issued share capital is owned by Mr. Kwok. Save as being a Shareholder, each of Efficient Channel and Mr. Kwok is an Independent Third Party and a passive investor of the Company. The principal business activity of Efficient Channel is investment holding. Mr. Kwok is an experienced investor and an executive director of Convoy Financial Services Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1019), whose fellow subsidiaries are licensed corporations (as defined under the SFO). As advised by Mr. Kwok, he invested in the Group due to his industry knowledge in the financial field and his confidence in the business prospects of provision of financial software. The Directors believe that the Efficient Channel Investment would broaden the Shareholder basis and by leveraging on Mr. Kwok's experience and network in the financial industry in Hong Kong, new contacts and potential business opportunities could be brought along by Mr. Kwok to enhance the Group's business network which will be beneficial to the future business development and possible fund raising activities of the Group.

The details of the Efficient Channel Investment are summarised below:

Name of investor	:	Efficient Channel Limited
Date of Efficient Channel Investment Agreement	:	27 November 2012
Amount of consideration paid	:	HK\$2,400,000
Payment date of the consideration	:	27 November 2012
Cost per Share paid (<i>Note</i>)	:	approximately HK\$0.213
Discount to the Placing Price	:	approximately 74.0%
Shareholding upon Listing (<i>Note</i>)	:	11,250,000 Shares representing 5.625% of the issued share capital of the Company upon Listing

Note: For illustration purposes only. Assuming completion of the Capitalisation Issue and the Placing and assuming the Offer Size Adjustment Option is not exercised.

The Efficient Channel Investment Agreement was completed on 27 November 2012. As a result of the completion of the Efficient Channel Investment under the Efficient Channel Investment Agreement and completion of the Reorganisation, Efficient Channel was interested in 7.5% of the issued share capital of the Company immediately before completion of the Capitalisation Issue and the Placing. Upon Listing, Efficient Channel would be interested in 5.625% of the issued share capital of the Company assuming the Offer Size Adjustment Option is not exercised.

Although the Efficient Channel Investment represented a discount to the Placing Price of approximately 74.0%, as the Placing is conditional upon the fulfillment of conditions as stated in the section headed "Structure and Conditions of the Placing" of this prospectus, the Directors consider that the basis of determination of the consideration as disclosed above was fair and reasonable. The shareholders of Luster Wealth, having taken into consideration that (1) the Efficient Channel Investment would be beneficial to the future business development and possible fund raising activities of the Group; (2) the Placing is conditional and may or may not go forward; and (3) the basis of determination of the consideration of Efficient Channel Investment as disclosed above, believe that despite the significant discount to the Placing Price, it is in their commercial interests to enter into the Efficient Channel Investment Agreement.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Pursuant to the Efficient Channel Investment Agreement, Efficient Channel does not enjoy any special right in connection with the Efficient Channel Investment and Efficient Channel undertakes to hold all the Shares issued to it pursuant to the Reorganisation and the Capitalisation Issue for a period of six months commencing from the Listing Date.

Save as disclosed above, each of Efficient Channel and Mr. Kwok does not hold more than 0.01% of equity interests in and is not related to any of the Group's customers, licensed corporations (as defined under the SFO) or Authorised Institutions in Hong Kong. As each of Mr. Kwok and Efficient Channel is not a connected person of the Company, did not acquire the Shares with finance directly or indirectly from a connected person of the Company, and does not take instructions from a connected person of the Company in relation to the acquisition, disposal, voting or other disposition of the Shares registered in its name as confirmed by Mr. Kwok, each of Mr. Kwok and Efficient Channel should be regarded as a member of the public at and after the Listing and Efficient Channel's shareholding in the Company should be counted towards the public float under the GEM Listing Rules.

DEREGISTRATION OF IASIA (MACAU)

iAsia (Macau) was incorporated in Macau with limited liability on 5 May 2008 with a registered share capital of MOP\$25,000. iAsia (Macau) had been principally engaged in the sale of hardware products since the date of its incorporation in May 2008 to 2010. On 14 January 2013, iAsia (Macau) was deregistered according to the applicable Macau laws and regulations and was accordingly dissolved on deregistration. As advised by the Directors, the reason for the deregistration of iAsia (Macau) is that iAsia (Macau) had been inactive since 2010. iAsia (Macau) was solvent at the time of its deregistration. The Directors confirm that iAsia (Macau) had not been involved in any claim, complaint, sanction or litigation. The Directors further confirm that the Group had not been involved in any claim, complaint, sanction or litigation.

REORGANISATION

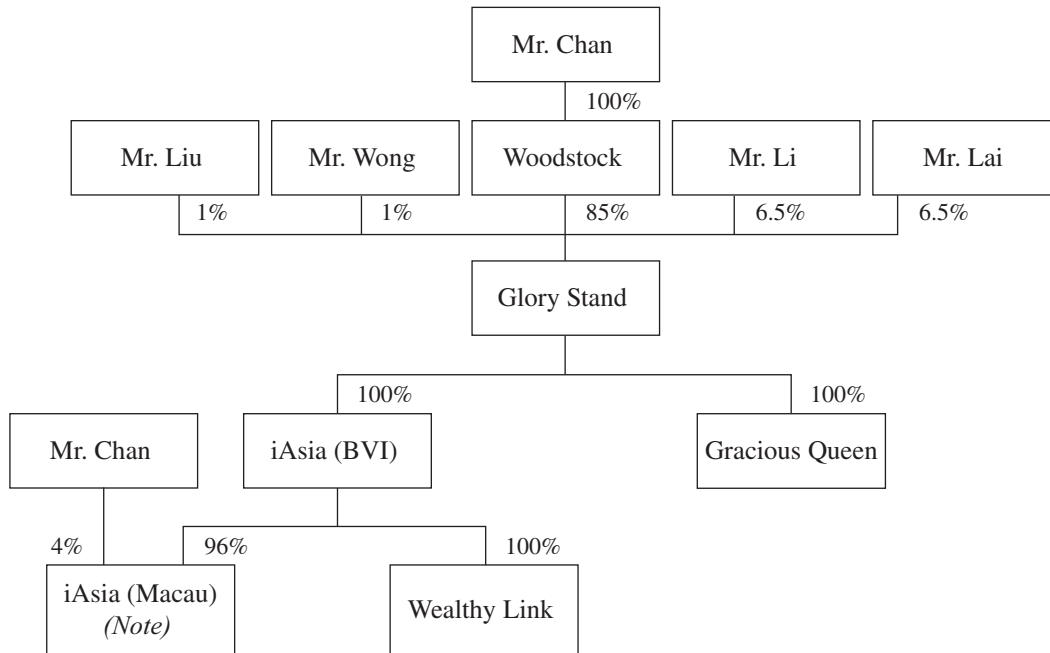
Corporate Reorganisation

The Company completed the Reorganisation on 28 August 2013 in preparation for the Listing, pursuant to which the Company became the ultimate holding company of the Group. Details of the Reorganisation are set out in the paragraph headed "Corporate Reorganisation" in Appendix IV to this prospectus.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

THE GROUP STRUCTURE

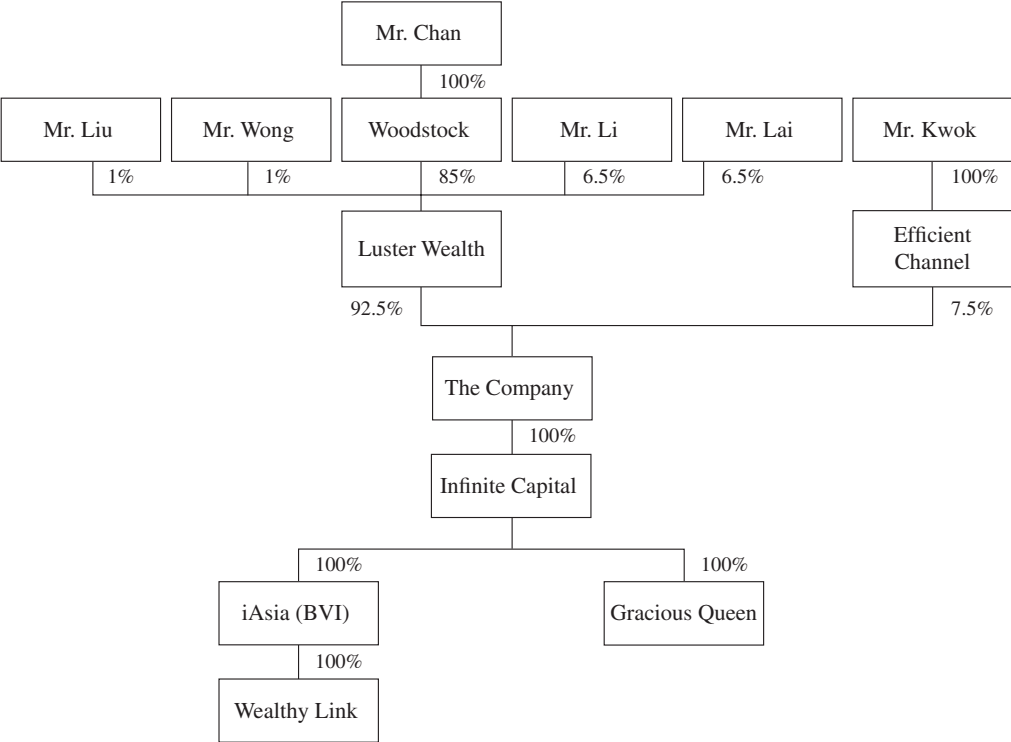
As part of the Reorganisation, a number of share transfers had been effected and pursuant to which the Company became the holding company of the Group. The Company completed the Reorganisation on 28 August 2013 in preparation for the Listing. Details of the Reorganisation are set out in the paragraph headed “Corporate Reorganisation” in Appendix IV to this prospectus. The following diagram sets out the corporate structure of the Group before the Reorganisation:



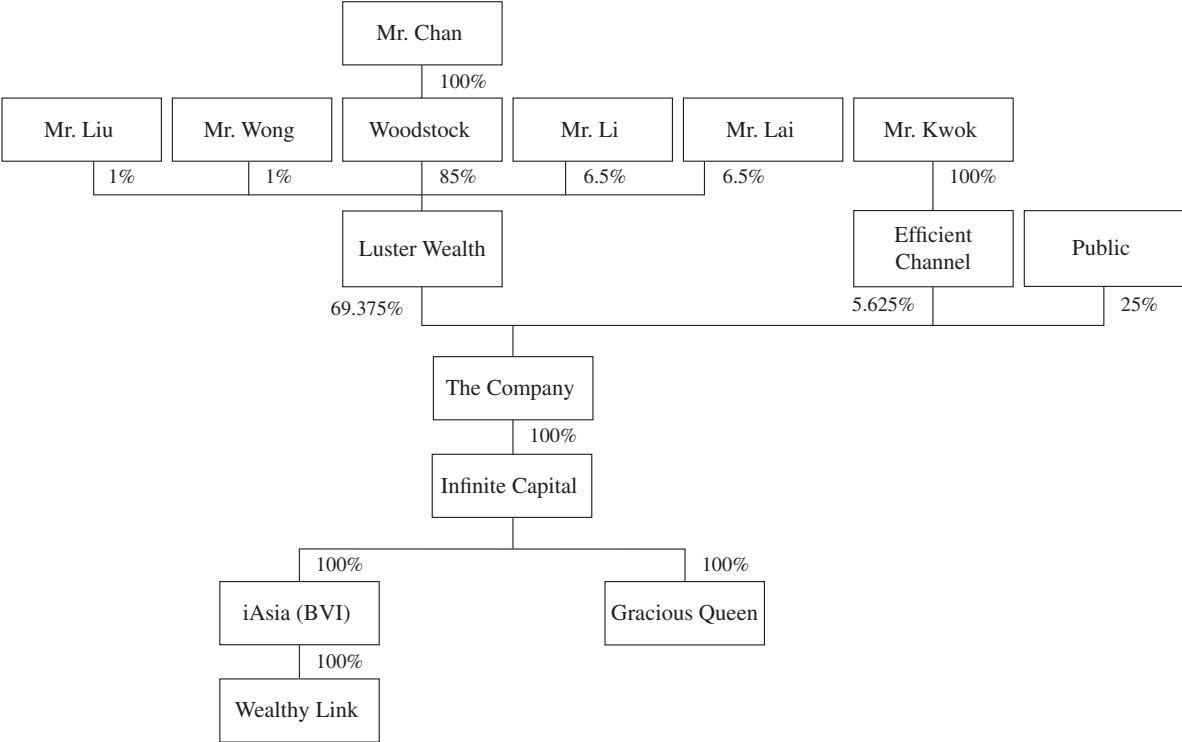
Note: On 14 January 2013, iAsia (Macau) was deregistered according to the applicable Macau laws and regulations and was accordingly dissolved on deregistration.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following diagram sets out the corporate structure of the Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue and the Placing:



The following diagram sets out the corporate structure of the Group immediately after completion of the Capitalisation Issue and the Placing (assuming the Offer Size Adjustment Option is not exercised):



OVERVIEW

The Group is principally engaged in the development, sale and lease of financial trading software solutions with the principal products being trading and settlement systems of financial products for financial institutions. The target customers are financial institutions which conduct brokerage business of financial products traded in Hong Kong, in particular Category B and Category C brokers and local banks. The Group's existing trading and settlement systems are used to facilitate the operations of financial institutions for their clients' trading of financial products and can cover the whole life cycle of trading and settlement process from order placing, risk management, compliance to settlement, which are illustrated in the paragraph headed "Products and services" below. As at 31 December 2012, the Group's systems were installed at 64 brokers and banks, including sizeable and renowned Hong Kong and PRC based brokers and banks. Since its establishment in 2001, the Group has successfully developed and launched trading and settlement systems for a comprehensive range of financial products and has enriched its product line from trading and settlement systems of securities to stock options, futures, forex and bullion.

Besides offering standard packages of software products, the Group also offers customisation services to customers to develop tailor-made functions. Along with its sale and lease of financial trading software solutions, the Group is also engaged in the provision of related services, including sale of hardware, software maintenance and hosting services.

PRODUCTS AND SERVICES

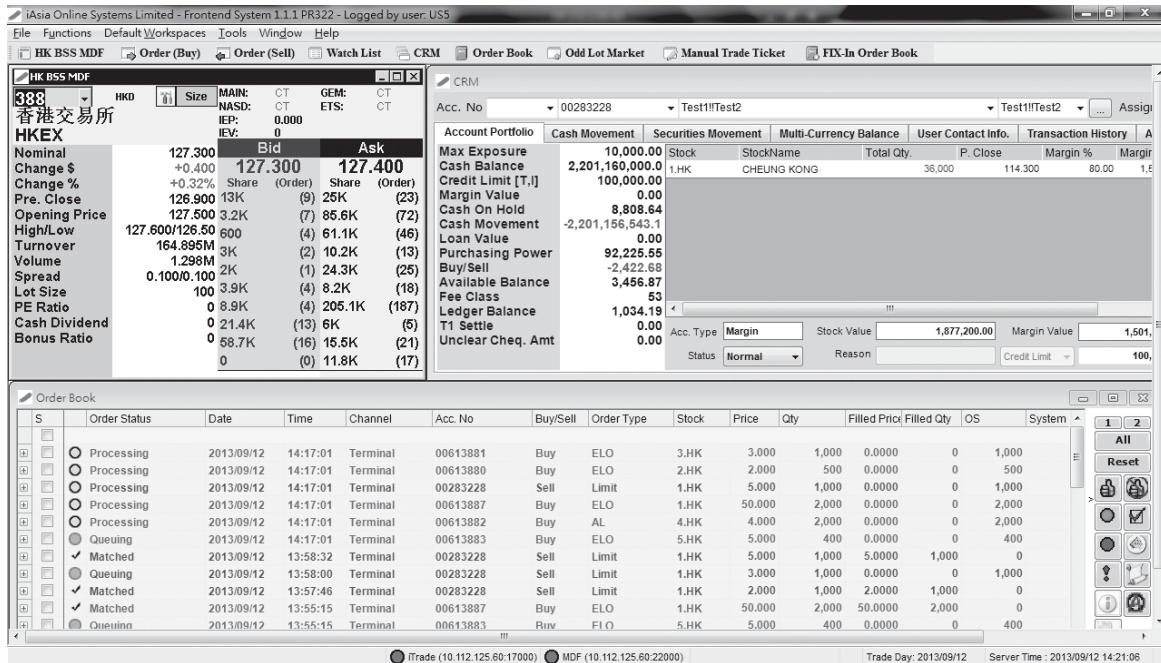
The following sets out the principal products and services of the Group:

Products

1. Securities Front Office System

The Group's Securities Front Office System is a front-office trading system with comprehensive functions for trading of securities and risk management. Basic functions include, but not limited to, (i) market data feed by interfacing with market information vendor; (ii) order processing including order placing and order transmission to the Stock Exchange; (iii) real-time management of client's position such as reflecting the securities holding and cash balance before and after transactions; (iv) order book management such as monitoring of order status, filtering data of order book by individual client and reviewing amendment history of an order; and (v) trade summary reporting such as generation of trade journal of a specified trader, or trade price reporting of all orders of a particular client or stock. It is mainly utilised for trading of securities on the Stock Exchange but can also be used for trading of overseas securities. Its FIX interface allows it to connect to overseas brokers for the trading of all overseas securities supported by the relevant overseas brokers. The first version of this product was launched in 2001 and the current version was launched in 2010. In response to the upgrade of securities trading platform of the Stock Exchange from AMS/3.5 to AMS/3.8 in December 2011, the Group has fine-tuned the current version by enabling higher trading capacity as supported by AMS/3.8. The Directors are of the view that the current version is compatible with current technological needs.

BUSINESS



The key features of the Group's Securities Front Office System are:

- i. fully compatible with AMS platform — it supports all order types and special functions of AMS platform of the Stock Exchange; orders can be placed into the AMS system directly and promptly
- ii. internet module — it facilitates clients of the Group's customers to trade through internet; the internet module can provide integration with market data provider's market data engine in order to provide market data to internet clients; cash and securities position can be viewed and the access channel is encrypted
- iii. FIX interface for trading of overseas securities — its FIX interface enables the Group's customers to connect with overseas brokers, facilitating the trading of all overseas securities supported by the relevant overseas brokers
- iv. real time customer credit control — it enables real time calculation of purchasing power and margin of clients, credit approval for clients with insufficient cash balance for buy trades, and customised policies such as self-defined credit limit and maximum exposure
- v. interface with the back office system of the Group and third party vendors — data can be exchanged between the front office and back office systems during trading hours and imported/exported after market close to synchronise information such as individual client's position and cash balance

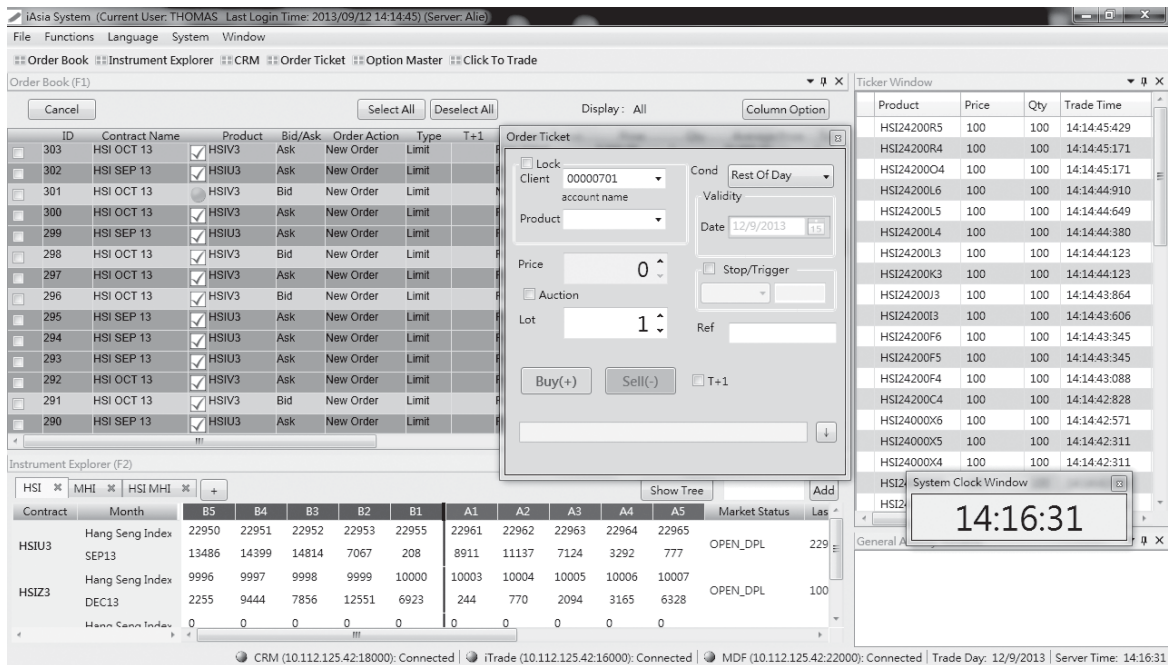
BUSINESS

- vi. IPO module — it facilitates application of shares under IPO and locking-up of client's existing cash balance held by the Group's customers for the financing of IPO applications
- vii. support program trading — it supports automatic order placing triggered by a predefined change in market condition such as a rise or fall in the price of a security; traders can predefine trading rules to manage multiple portfolios for multiple investors systematically

The Group's Securities Front Office System was installed at 43 customers (comprising customers of both sale and lease of software systems) as at 31 December 2012.

2. *Futures Front Office System*

The Group's Futures Front Office System is a front-office trading system with comprehensive functions for trading of futures and options and risk management. Basic functions include, but not limited to, (i) market data feed by interfacing with market information vendor; (ii) order processing including order placing and order transmission to the Futures Exchange; (iii) client portfolio management such as real-time portfolio revaluation; and (iv) order book management such as monitoring of order status, filtering by individual client and amendment history of an order. It is mainly targeted for trading of futures and options on the Futures Exchange. The first version of this product was launched in 2002 and the current version was launched in 2012.



The key features of the Group's Futures Front Office System are:

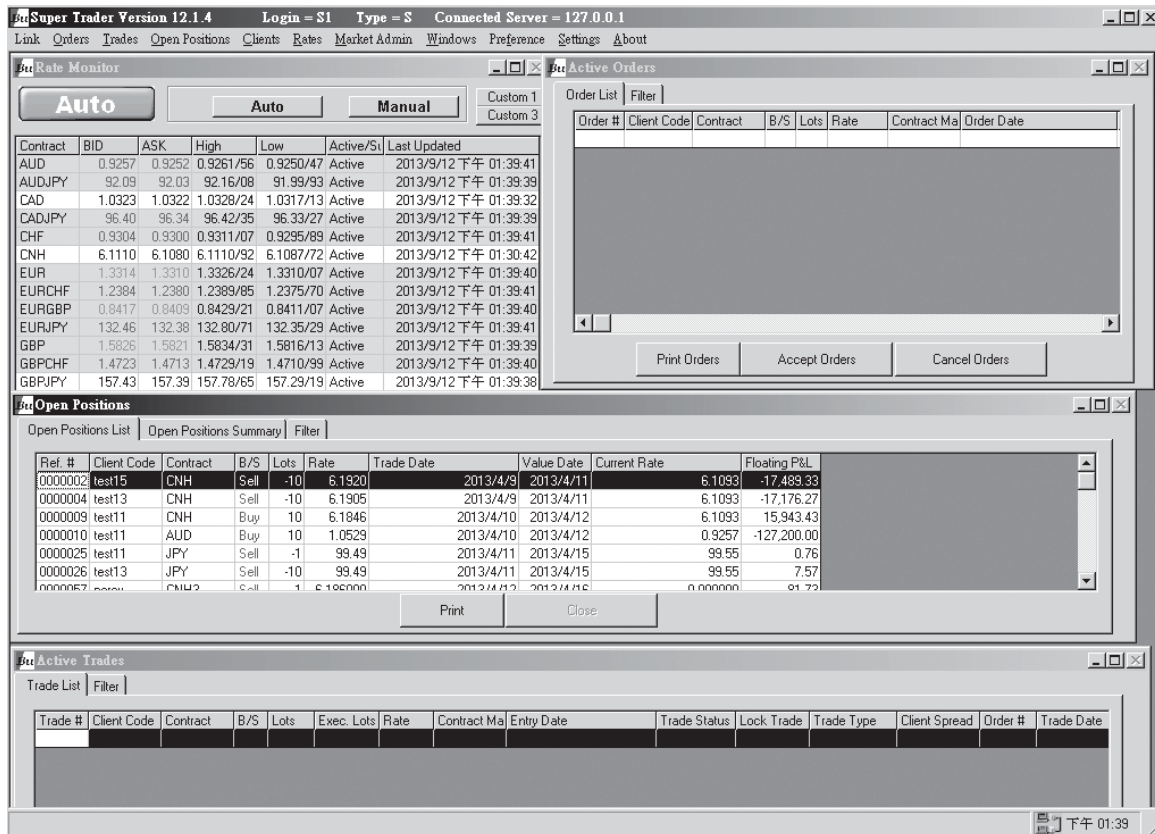
- i. compatible with OAPI system of the Futures Exchange — it enables prompt and efficient order placing
- ii. internet module — it facilitates clients of the Group's customers to trade through internet; the internet module can provide real time price information from OAPI; cash and futures position can be viewed and the access channel is encrypted
- iii. real time customer credit control — it enables real time calculation of purchasing power and margin of clients, credit approval for clients with insufficient cash balance for placing orders, and customised policies such as self-defined credit limit and maximum exposure
- iv. interface with the back office system of the Group and third party vendors — data can be exchanged between the front office and back office systems during trading hours and imported/exported after market close to synchronise information such as individual client's position and cash balance
- v. support program trading — it supports automatic order placing triggered by a predefined change in market condition such as a rise or fall in the price of futures contract; traders can pre-define trading rules to manage multiple portfolio for multiple investors systematically

The Group's Futures Front Office System was installed at 10 customers (comprising customers of both sale and lease of software systems) as at 31 December 2012.

3. Forex Front Office System and Bullion Front Office System

The Group's Forex Front Office System is a front-office trading system for trading of forex products. In contrast to the Group's Securities Front Office System and Futures Front Office System, the Forex Front Office System does not connect to any exchange. It can be used for trading between the Group's customers and their clients, as well as for trading between the Group's customers and other banks or brokers through FIX interface. Basic functions include, but not limited to, (i) forex rate feeding from market information vendors; (ii) risk management settings for all kinds of parameters such as price fluctuation threshold; (iii) real-time update and broadcasting of order/ trade status; (iv) suspension of trading of specified forex contracts; (v) if-then order support by inputting a stand-by order which execution will be triggered upon acceptance of another specified order; (vi) display of historical orders which can be sorted or filtered based on user settings; (vii) order management tools such as alerting when the market price/rate reaches a predetermined threshold; and (viii) real-time summary printout of executed trades and accepted orders. The first version of this product was launched in 2003 and the current version was launched in 2007. The Directors are of the view that the current version is compatible with current technology needs due to no recent change in trading infrastructure. The Group has no plan to further upgrade this product as at the Latest Practicable Date.

BUSINESS



The key features of the Group's Forex Front Office Systems are:

- i. internet module — it facilitates clients of the Group's customers to trade through internet with real-time Forex quote onto the screen
- ii. FIX interface for trading with outside parties — its FIX interface enables the Group's customers to connect with outside parties to pass the trade to third party investment bank for hedging of interest rate risk
- iii. customer credit control — it enables calculation of purchasing power and margin of clients, display of pending trade and client portfolio information such as balance summary and trading record
- iv. multi-contract support — it supports setting up of one or more contract types with flexibility in configuration of contract details such as currency
- v. interface with the back office system of the Group and third party vendors — data can be exchanged between the front office and back office systems to update clients database such as their balance and credit status

BUSINESS

The Group's Bullion Front Office System shares the same system structure as the Group's Forex Front Office System. Although they facilitate trading of different financial products, the trading pattern and mechanism are similar. They are both market-maker trading platforms facilitating the trading between the Group's customers and their clients. Since both systems are not connected to any exchange and the subjects of trading are both contract-type financial products, the required system structure and functions are similar. The Group's Bullion Front Office System is thus configured by changing the contract type input of its Forex Front Office System from forex contract to bullion contract. It offers similar functions as the Forex Front Office System. The system was launched in 2003 and the Directors are of the view that the current version is compatible with current technological needs due to no recent change in trading infrastructure. The Group has no plan to upgrade this product as at the Latest Practicable Date.

The screenshot displays the Super Trader Version 11.5.5 interface with the following panels:

- Rate Monitor:** Shows a table with columns: Contract, Bid, Ask, High, Low, Active/Su, LastUpdated. Data includes contracts LLL and LLS.
- Active Orders:** Shows a table with columns: Order #, Client Code, Contract, B/S, Lots, Rate, Contract Ma, Order Date. Data includes orders 146, 145, 144, and 143.
- Open Positions:** Shows a table with columns: Ref. #, Client Code, Contract, B/S, Lots, Rate, Trade Date, Value Date, Current Rate, Floating P/L. Data includes positions 0017757 through 0017737.
- Active Trades:** Shows a table with columns: Trade #, Client Code, Contract, B/S, Lots, Exec. Lots, Rate, Contract Ma, Entry Date, Trade Status, Lock Trade, Trade Type, Client Spread, Order #. Data includes trades 539 through 535.

The Group's Forex Front Office System and/or Bullion Front Office System was/were installed at 4 customers (comprising customers of both sale and lease of software systems) as at 31 December 2012.

4. *Back Office Systems*

The Group's Back Office Systems are back office settlement systems which facilitate the automation of back office operations for financial institutions including settlement, clearing and reporting. Basic functions include (i) display of all particulars of specific client including margin positions, trading history and balances; (ii) import and storage of data from front office systems; (iii) processing of transaction data; (iv) download of reports through clearing houses such as stock balance and stock closing price file; (v) deposit and withdrawal of cash and securities holding; and (vi) printing of statements and reports. The Group's Back Office Systems can interface with its various Front Office Systems to provide a fully integrated one-stop solution to its customers.

The screenshot displays the 'Main-Account' form in the iBOSS Development ver. software. The form is for Account No. 1888008018 and is currently in an 'Active' state. Key fields include:

- Client Type:** Individual A/C (selected), Joint A/C, Corporate A/C
- Account No.:** 1888008018
- English Name:** CHAN TAI MAN
- Chinese Name:** 陳大文
- A.E./Sales:** A0378 - ASIA ON
- Account Grade:** Normal
- Account Group:** VIP-A
- Phone PIN:** *****
- FO Login ID:** 1888008018
- Identity:** ID Ref No. 1009570, Nationality HONG KONG, ID Type Identity Card, Sex Male, Title Mr., ID No. K123456(7), ID Name (English) CHAN TAI MAN, ID Name (Chinese) 陳大文, Birth Date / Company Open Date 1980/01/01

The interface also shows various tabs like 'General', 'Contact', 'Trade Settings', 'Fees', 'Interest', 'Bank', 'Document', 'Other Info', 'Related Identity', 'Rebate', 'AE Rebate', 'Commodity Fees', 'Other Info (Commodity)', 'FX Fees', 'FX Pips', and 'AE Comm'. On the right side, there are buttons for 'Submit', 'Save (draft)', 'Save As...', 'Add', 'Delete', 'Undo', 'Version' (Original, Un-approved), and 'Exit'.

The key features of the Group's Back Office Systems are:

- i. integrated system — it supports (i) all trading currencies; (ii) financial products traded in different stock and futures exchanges; and (iii) a variety of financial products including securities, futures, forex contracts and bullion contracts
- ii. interface with the clearing houses, namely CCASS and DCASS — it exports and imports file for trade clearing and other settlement tasks
- iii. interface with front office systems — it exports data to the Group's Front Office Systems, or exports file to third party front office systems upon request

BUSINESS

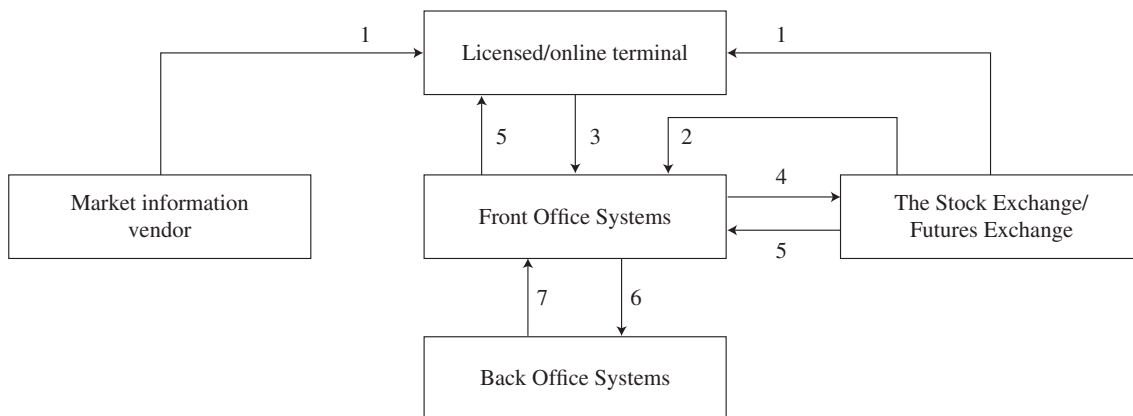
- iv. reporting — it generates comprehensive reports for management and compliance purposes
- v. client statements — client statements are generated and can be sent through fax or email automatically
- vi. interface with third party accounting software system — data can be exported to accounting software system of customers
- vii. interface with bank payment gateway — payments can be made directly to the designated bank account as required by clients

As at 31 December 2012, the Group's Back Office Systems were installed at 58 customers (comprising customers of both sale and lease of software systems). Among them, 46 customers were also using the Group's Front Office Systems.

The Directors consider that the decision of the customers depends to a significant extent on the personal preference and request of the actual users of the software systems. Since the Front Office Systems are used by traders while the Back Office Systems are used by another group of staff within a brokerage firm, respective software systems chosen by the two groups of staff could be different. Accordingly, certain customers purchase/lease the Group's Front Office Systems without the Back Office Systems, and vice versa.

The data flow charts below illustrate how the Group's Front and Back Office Systems facilitate the daily operation of its customers and cover the trading life cycle:

Trading of securities and futures



1. The Group's Front Office Systems retrieve bid and ask prices and other market data from the Stock Exchange/Futures Exchange and market information vendors.
2. Market data from the exchange is passed to the Front Office Systems for system triggering/price validation of order processing.
3. Orders are placed by the traders or directly by their clients through the Front Office Systems.

BUSINESS

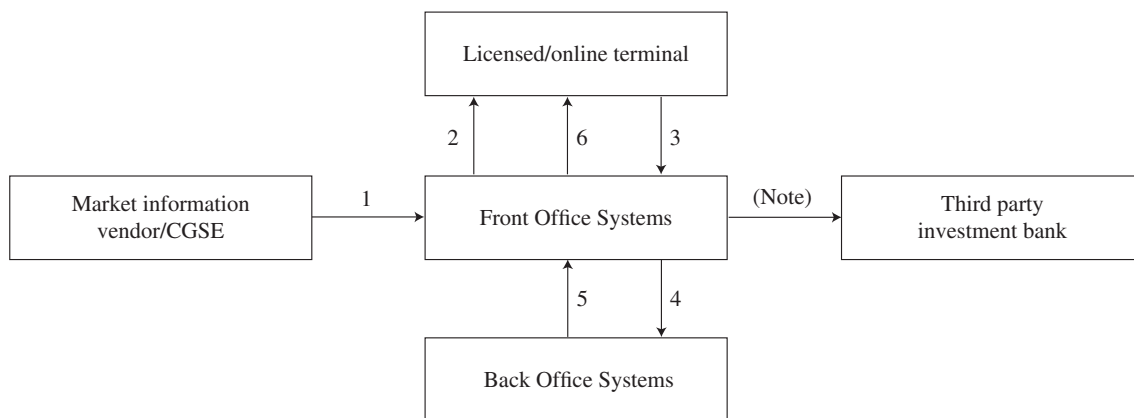
During order processing by the Front Office Systems, the orders are qualified for execution by comparing with, among other things, (i) the predetermined stock-specific parameters such as minimum trade unit; and (ii) data of account management and risk management frameworks such as the amount of stock available for client's sale and the remaining credit limit for client's purchase.

4. Once qualified, the orders are placed and queued at the exchange. If an order fails to pass the management frameworks, it will be held back and a report will be sent to the trader or their clients.
5. After the orders are matched on the exchange, the Front Office Systems will receive confirmation of the matched orders from the exchange. The traders or their clients are thus notified.

The traders at the licensed terminals or their clients at the online terminals receive real-time update of clients' data to impose credit control for order placing.

6. After trading hours, the executed trades are exported to the Back Office Systems which are integrated with the Front Office Systems. Customers will be provided with client statements and trade confirmations for executed trading activities of the day generated by the Back Office Systems. Monthly statements will be generated at month end to all clients as well.
7. Before the next trading day, the updated client data is transferred to the Front Office Systems to synchronise the database of its management framework with that of the Back Office Systems.

Trading of Forex and bullion contracts



1. The Group's Front Office Systems retrieve bullion prices from CGSE; forex rate quotes and other market data are retrieved from market information vendors.
2. Market data is passed to licensed terminals or online terminals respectively for traders or clients' reference.

BUSINESS

3. Orders are placed by the traders or directly by clients through the Front Office Systems.

During order processing by the Front Office Systems, the orders are qualified for execution by comparing with, among other things, (i) the predetermined contract-specific parameters such as nominal price or order type; and (ii) data of account management and risk management frameworks such as remaining credit limit for clients' purchase.

4. Once qualified, the order is executed; the executed trades are exported to the Back Office Systems which are integrated with the Front Office Systems for storage. The Back Office Systems can generate transaction summary and update data such as mark-to-market position of contracts.
5. During trading hours, the updated cash movements are transferred to the Front Office Systems to synchronise the database of its management framework with that of the Back Office Systems.
6. The traders at the licensed terminals or clients at the online terminals receive real-time updated purchasing power of clients to impose credit control for order placing.

Note: The Group's customers can take the option of passing the Forex/Bullion trades to third party investment bank for hedging purposes

The Group's software systems are modular designed which provide flexibility for customers to expand their usage capacity in accordance with the growth and changing needs of their business. In addition, the Group's software systems may undergo customisation when they are rolled-out and installed for different customers. Minor customisation works such as change of layout of client statement are provided to customers without additional charges. In case the customers require specific modifications or additions of functions to the software systems, the Group will take the complexity of the works involved into consideration in determining the licence fee, further details of which are set out in the paragraph headed "Revenue model" under this section.

Other than the above standard products, the Group has developed certain customised products for its customers. A key product of this kind is the Bullion Matching and Trading Systems developed for CGSE. It is the only customised product which contributed revenue to the Group during the Track Record Period. The Bullion Matching and Trading Systems is an electronic system used by CGSE and its members to trade bullion products through the electronic trading platform of CGSE. This product has two components: the Bullion Matching System which is installed at CGSE and the Bullion Trading System which is installed at members of CGSE. The Group has received a one-off licence fee at the time of sale of the Bullion Matching and Trading Systems in 2007 and has been receiving from CGSE a monthly fee which is calculated based on the number of user licences of the Bullion Trading System granted to members of CGSE. Customisation works on the Bullion Matching System have been requested by CGSE and software maintenance services have been subscribed by CGSE since the installation of this system. For the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013, the relevant

revenue generated from the Bullion Matching and Trading Systems amounted to approximately HK\$2,125,000, HK\$4,452,000 and HK\$1,166,000 respectively.

To enable the Group's software systems to interface with the software systems of third party vendors, the Group's customers will arrange direct liaison between the Group and the third party vendors. Each party will reveal the message format of its systems to the other and either party will develop a message-format translator, namely an interface, through which the Group's trading software system will be able to communicate with that of the third party vendor. Since the Group has no access to the source code of third party vendor's system, the Directors consider that there is no risk of infringement of copyrights of the third party vendor.

The Group incorporates security control functions into its trading software systems for management of system security. A circular was issued on 16 March 2010 by the SFC to provide guidance to licensed corporations on areas including (i) information security policy; (ii) access control; (iii) encryption; (iv) management of system change; (v) user activities monitoring; and (vi) data backup and continuity planning. HKMA issued a guidance note in July 2000 to provide guidance to senior management of Authorised Institutions on the key principles and recommended sound practices in managing the security risks in transactional electronic banking services. The security control of the trading software systems developed and offered to customers by the Group are in line with the recommended practices as mentioned in the above guidelines released by the SFC and HKMA. The Group also provides customisation of security control function in accordance with customers' request.

Services

1. Customisation

Depending on the customers' needs, the Group can provide customisation to the Group's software systems in order to modify or add specific functions for its customers. To a lesser extent, the Group is also engaged in the development and sale of tailor-made software products for financial institutions. Customisation is offered to customers of both one-off purchase and lease of software systems. However, customisation services required by customers who lease the Group's software systems are generally of small scale.

2. After sales support and maintenance service

For customers who have purchased or leased the Group's software systems, the Group provides installation service and certain training sessions in order to ensure that the software systems run smoothly and to assist the customers in understanding the operations of the software systems.

The Group generally provides its customers with a warranty period of not more than one year after the customers' commercial running of the Group's products. During the warranty period, the customers can enjoy free services including (i) any new upgrade released by the Group, or upgrades to cope with changes in the trading rules and regulations and architecture in the financial markets, or modifications for correction of defects and problems, or enhancement of performance of the products; and (ii) telephone and on-site support and maintenance services for correction of

defects and problems. During the Track Record Period, the Group did not receive any material complaints from its customers and no significant expenses were incurred to fulfil its warranty obligations. Having considered that there is a present obligation where the likelihood of any outflow of resources to fulfil the obligation is remote and the estimated costs such as time cost required to fulfil the obligation are immaterial, no provision on product warranty has been made on the Group's combined financial statements. After the warranty period, the customers can continue to enjoy the above services by payment of a service fee. During the Track Record Period, all of the Group's customers have subscribed for the Group's maintenance services after the warranty period.

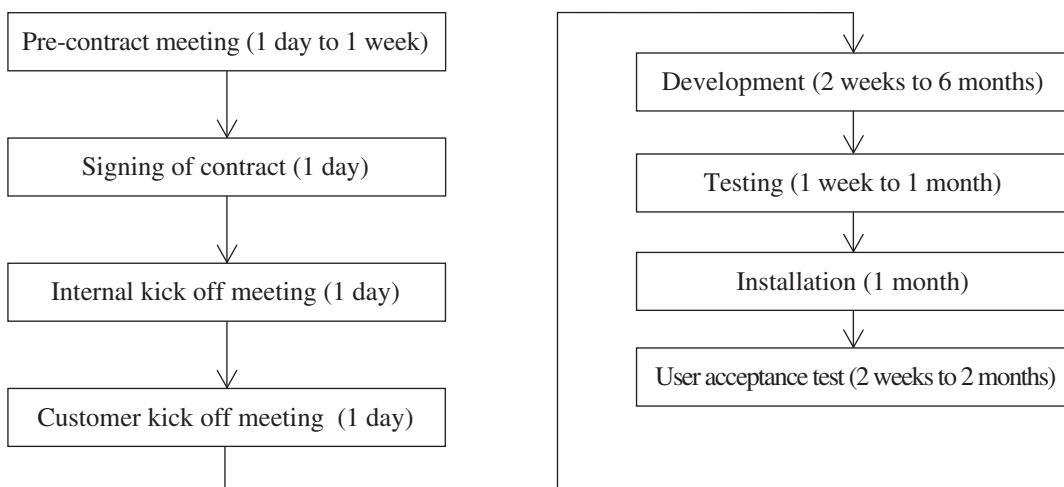
The Directors believe that such after-sales support and maintenance services are an integral part of the Group's strategy to foster long term business relationships with its customers. Therefore the Group is committed to quality after-sales services to its customers. Service pledges are given to customers to promptly address their queries and problems, which will be recorded in a log along with any follow-up actions taken and progress updates.

3. Other ancillary services

As a complete solution to its customers, the Group provides ancillary services such as (i) sale of hardware; and (ii) hosting services which help the customers build up its trading networks. The hardware purchased for customers from third party hardware vendors are mainly servers for storage of client trading data of the Group's customers. Hosting services are the renting of server rack space located at third party data centre to customers and the provision of server monitoring.

WORK FLOW

A typical workflow for the Group's sale and lease of software systems are as follows:



BUSINESS

Pre-contract meeting	—	Business development team and development team of the Group meet with the customer to understand its requirements
Internal kick off meeting	—	Internal meeting between business development team and development team of the Group to discuss the customer's requirements and the project implementation schedule
Customer kick off meeting	—	Meeting with the customer to confirm understanding of its requirements and the project implementation schedule
Development	—	Development of customised functions (if requested) based on the customer's specifications
Testing	—	Internal testing of the products by the development team and/or the quality assurance team to ensure that the software systems are operating in accordance with the specifications and business requirements of the customer
Installation	—	Installation of the software system at the customer's premises
User acceptance test	—	Conducting of user acceptance test by the customer to ensure that the software systems meet its functional specifications and performance requirements

Generally, the Group requires two to ten months to complete the project depending on the complexity of the specific requirements of the customer.

REVENUE MODEL

The Group's principal revenue are derived from the following sources:

1. Sales of software systems

A one-off licence fee is charged when customers purchase the Group's software systems. The pricing of a software system is negotiated with the customers and depends on parameters such as (i) the number of trading terminals at which the software system is installed; (ii) the number of modules of the software system selected; (iii) the number of users of the customers; and (iv) any additions or modifications of functions. The license fee is payable by installments, with the first installment of generally around 40% to 50% of the licence fee payable upon signing of agreement; the second installment of generally around 20% to 30% payable upon installation of the software system; and the remaining balance payable generally upon commercial running or acceptance of the software system.

Subsequent sales of software systems are recorded when customers request for additional modules to be integrated into their existing software systems.

2. Lease of software systems

On top of a one-off sale of the software systems, the Group may also lease the systems to the customers for a monthly fee. The initial term of the lease of software systems generally lasts for 12 to 24 months. The monthly lease fee is negotiated with the customers and depends on parameters such as the number of trading terminals at which the software system is installed and the number of users of the customer. A deposit of 3 months of the monthly fee shall be paid by the customers and the monthly fee shall be paid on the first day of each month. Maintenance services are not separately charged to these customers.

During the Track Record Period, two customers were offered by the Group a purchase option in their lease contracts. The purchase option was offered upon request from the relevant customers, and it was intended as a one-off means to provide incentive to the customers to enter into the lease contracts with the Group. The purchase option is not a usual term offered by the Group. The exercise price of the purchase option was determined based on the same pricing policy for one-off sale of software systems and therefore the exercise price of the purchase option was comparable to one-off licence fee charged to customers who purchased the same product. One of the two customers had exercised its purchase option.

3. System customisation fees

System customisation fees are charged to existing customers requesting for additions or modifications of functions to their installed software systems. The determination of the customisation fees are based on the complexity of the works and the expected man-days required to complete the customisation.

4. Software maintenance fees

Software maintenance fees are charged to customers who have purchased the Group's software systems upon expiry of the warranty period for provision of maintenance services. The initial term of the maintenance services, in most cases, lasts for one year. The fees are charged on a monthly to annual basis and determined at a fixed rate within the range of 10% to 20% based on the purchase price of the software systems. An additional maintenance fee will generally be charged to the existing customers who have received the customisation service to their installed software systems. The additional maintenance fee is determined by the contract value of the customisation service provided. As the Group's software systems are vital to the operations of the brokerage business of its customers and there is continuous change in the trading rules and regulations and architecture in the financial markets, all customers who have purchased the Group's software systems have subscribed for the Group's maintenance services. This provides a stable recurring income to the Group. In view of the above, the amount of maintenance fees to be received by the Group depend on (i) the contract value related to existing or new customers who purchase the Group's software systems; and (ii) the contract value related to existing customers who have received customisation services. Any increase or decrease in the sales of software systems or customisation fees will only affect the growth rate of the maintenance fees of the Group in the subsequent period, based on the assumption that the existing maintenance contracts of the Group will continue.

BUSINESS

5. Sales of hardware

Along with the Group's sale or lease of software systems, the Group also sources relevant hardware, which are mainly servers, for its customers and sells the hardware to them to facilitate setting up of their trading network. The pricing of the hardware is negotiated with the customers and depends on the cost of the hardware.

6. Hosting fees

Along with the Group's sale or lease of software systems, the Group also rents server rack space located at third party data centres and provides related services to customers at a monthly fee. A deposit of 3 months' monthly fee shall be paid by the customers and the monthly fee shall be paid on the first day of each month. The hosting fees are negotiated with the customers and depend on the cost.

For the Group's accounting treatment in respect of each of the revenue sources, please refer to the paragraph headed "Principal components of results of operations" under the section headed "Financial Information" of this prospectus.

The Group's Front and Back Office Systems for securities, futures, forex and bullion have same standard price and follow the same standard price list and pricing mechanism for Front and Back Office Systems respectively, due to the fact that the Group's Front Office Systems of the four financial products share similar functions such as order placing and risk management. This common fundamental system structure is further configured to trade different types of financial products. Accordingly, the Group's Front Office Systems of the four financial products share the same pricing mechanism. The same applies to the Group's Back Office Systems. The standard price list adopted by the Group during the Track Record Period was updated in June 2008. The standard price was determined with reference to the management's understanding of market acceptance of similar products. The Group has revised and approved the latest version of standard price list in March 2013. The following table shows the price range of the Group's products delivered through one-off sale and lease during the years ended 31 December 2011 and 2012:

		Lowest	Highest
Front Office Systems	One-off sale	HK\$248,000	HK\$1,500,000
	<i>(Note 1)</i>	<i>(Note 3)</i>	<i>(Note 2)</i>
	Lease	HK\$15,000/month	HK\$25,000/month
Back Office Systems	One-off sale	HK\$248,000	–
	<i>(Note 1)</i>	<i>(Note 2) (Note 3)</i>	<i>(Note 4)</i>
	Lease	HK\$11,000/month	HK\$40,000/month
Front and Back Office Systems	One-off sale	HK\$180,000	Approximately
	<i>(Note 1)</i>	<i>(Note 2) (Note 3)</i>	HK\$1,900,000
	Lease	HK\$18,000/month	HK\$58,000/month
		<i>(Note 3)</i>	

BUSINESS

Note 1: Only quotations/contracts for sale of new sets of software system are counted.

Note 2: Customisation fee was included in the quotation as a lump sum.

Note 3: Special discount was offered to the customers due to (i) long business relationship; and (ii) the customers' purchase/lease representing an upgrade to a newer version of the Group's software systems.

Note 4: During the years ended 31 December 2011 and 2012, the Group only recorded one transaction involving one-off sale of Back Office System.

According to the Group's standard price list, the standard price for one-off sale is approximately twenty-fold of the monthly fee of lease of software system. However, the actual price is subject to further negotiation with respective customers.

As mentioned above, the pricing of the Group's products and services are negotiated with the customers based on a number of parameters. However, the Group adopts a flexible pricing policy such that the prices offered to customers are determined after arm's length negotiation with them and depend on their background and also the prevailing market environment. Preferential pricing may be offered to customers after taking into account specific nature of each customer, e.g. long term business relationship. As a result, the prices of the same product sold to different customers may vary. Below table sets out the range of discounts of the Group's software systems delivered through one-off sale and lease during the years ended 31 December 2011 and 2012:

		Range of discounts
Front Office Systems	One-off sale (<i>Note 1</i>)	0.8%–28.6%
	Lease	11.8%–21.9%
Back Office Systems	One-off sale (<i>Note 1</i>)	0.8% (<i>Note 2</i>)
	Lease	11.8%–60.0% (<i>Note 3</i>)
Front and Back Office Systems	One-off sale (<i>Note 1</i>)	2.0%–49.1%
	Lease	3.3%–30.0%

Note 1: Only quotations/ contracts for sale of new sets of software system are counted.

Note 2: Only one contract for one-off sale of Back Office System was entered into during the years ended 31 December 2011 and 2012.

Note 3: One contract was offered at discount of 60.0% due to favourable business relationship with the related customer.

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The following table sets out the approximate average selling/lease price of each major product and service for each of the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013:

	For the year ended 31 December		For the three months ended
	2011	2012	31 March 2013
Sales of software systems			
<i>(Note 1)</i>			
Front Office Systems	HK\$874,000	HK\$738,000	– (Note 5)
Back Office Systems	HK\$248,000	– (Note 5)	– (Note 5)
Front and Back Office Systems	HK\$1,161,000	– (Note 5)	HK\$1,100,000
Lease of software systems			
<i>(Note 2)</i>			
Front Office Systems	HK\$25,000/month	HK\$15,000/month	– (Note 5)
Back Office Systems	HK\$14,700/month	HK\$18,300/month	HK\$10,900/month
Front and Back Office Systems	HK\$31,000/month	HK\$22,000/month	– (Note 5)
Customisation service	HK\$78,500	HK\$88,200	HK\$81,500
Software maintenance service			
<i>(Note 3)</i>	HK\$5,800/month	HK\$7,400/month	HK\$8,900/month
Hosting service <i>(Note 4)</i>	HK\$5,200/month	– (Note 5)	– (Note 5)

Notes:

1. The average selling price for sales of software systems is calculated per quotation/contract entered into in the year/period and only quotations/contracts for the sales of new sets of software system are counted. For the year ended 31 December 2012, there was only one contract of sales of new set of software systems which was related to exercise of purchase option embedded in a lease contract.
2. The average monthly charge for lease of software systems is calculated per quotation/contract entered into in the year/period.
3. The average monthly charge for software maintenance service is calculated per quotation contributing to the Group's revenue during the year/period.
4. The average monthly charge for hosting services is calculated per quotation entered into during the year/period.
5. No relevant contracts were entered into in the year/period.

In respect of the sales of one set of Front Office System at a price of HK\$738,000 for the year ended 31 December 2012, approximately HK\$320,000 was recognised as revenue from sales of software systems for the year ended 31 December 2012. Among the remaining revenue from sales of software systems of approximately HK\$5.3 million for the year ended 31 December 2012, approximately HK\$3.5 million was contributed by sales of modules and approximately HK\$1.8 million was contributed by backlog sales contracts. Please refer to the table below for breakdown of the Group's revenue during the Track Record Period.

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As discussed above in the sub-paragraph headed “Lease of software systems”, the pricing is dependent on, among other things, the number of trading terminals. The average monthly charge dropped for Front Office Systems and Front and Back Office Systems in 2012 mainly because the new customers who leased the systems in 2012 requested for fewer trading terminals, hence the Group charged less monthly fees. There were no material fluctuations for the monthly charges for the existing quotations and contracts during the years ended 31 December 2011 and 2012. The decreases in demand for terminal licenses by new customers who leased the systems in 2012 were because (i) certain new customers in 2012 were incidentally brokers of smaller operation scale as compared with the existing customers; and (ii) less spending was preferred by certain customers due to the market condition. As such, the decreases in demand for terminal licenses in 2012 were considered by the Directors to be one-off incidents and the Directors do not expect a decreasing trend for the average monthly lease prices going forward. On the contrary, the average monthly charge increased for lease of Back Office Systems in 2012 mainly because the new customers who leased the Back Office systems in 2012 requested for more terminal licenses and one customer requested for customisation of the standard system.

The following table shows the breakdown of the Group’s revenue by different sources of revenue during the Track Record Period:

	Year ended 31 December				Three months ended			
	2011		2012		31 March		2013	
	<i>HK\$’000</i>	<i>%</i>	<i>HK\$’000</i>	<i>%</i>	<i>HK\$’000</i>	<i>%</i>	<i>HK\$’000</i>	<i>%</i>
	<i>(unaudited)</i>							
Sales of software systems	12,244	30.2	5,624	16.8	1,284	16.5	1,752	21.4
Sales of hardware	5,116	12.6	1,444	4.3	173	2.2	50	0.6
Lease of software systems	9,431	23.3	12,586	37.4	2,794	35.9	2,991	36.5
System customisation and network support income	4,413	10.9	4,314	12.8	1,587	20.4	802	9.8
Software maintenance fee income	6,569	16.2	7,726	23.0	1,394	17.9	2,197	26.8
Hosting fee income	2,149	5.3	1,685	5.0	428	5.5	358	4.3
Others	631	1.5	248	0.7	125	1.6	55	0.6
	<u>40,553</u>	<u>100.0</u>	<u>33,627</u>	<u>100.0</u>	<u>7,785</u>	<u>100.0</u>	<u>8,205</u>	<u>100.0</u>

The Group has been adopting the revenue model of sale and lease of software system. The Directors consider that by adopting this revenue model, it not only offers different options for the Group’s customers but also offers the Group a stable source of recurring income. The Group welcomes its customers’ choice of either one-off purchase or lease of its software systems as each revenue source brings different economic benefits to the Group. For one-off sale, the Group can enjoy a greater lump sum sale receipts at the time of sale and receive subsequent maintenance fees. For lease of software systems, the Group can enjoy recurring income from the lease of its software systems, which in the long run may be larger than the aggregate amount earned from one-off sale and maintenance services. For both sale and lease of software systems, the principal costs are staff costs. For lease of software systems, the credit risk is considered low since the customer is required

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to pay a deposit in advance before monthly service are rendered. For sale of software systems, the credit risk is also considered low since the Group charges a first instalment of around 40% to 50% of the licence fee before it commences development of customisation for the customers. Accordingly, the Directors consider that the Group faces similar cost structure and credit risks for both lease and sale of software systems. It is the customers' decision which revenue model is to be adopted. The Directors consider that the IT budgets of the customers and the degree of customisation works needed are the key factors affecting their decisions.

Revenue from sales of software systems decreased from approximately 30.2% of the Group's total revenue for 2011 to approximately 16.8% of the Group's total revenue for 2012 while revenue from lease of software systems increased from approximately 23.3% for 2011 to approximately 37.4% for 2012. As advised by the Directors, due to the forthcoming transition of the trading platform of HKEx and the stagnant financial market of Hong Kong, the customers are reluctant to invest heavily in new trading systems. Therefore, the customers of the Group who demanded for new sets of software system showed preference for lease of software systems during 2012. Over the past years, the respective proportions of income from sales and lease of software systems have been different and the fluctuations in 2011 and 2012 does not mean that the Group is changing its business focus. The Group will continue to offer both one-off purchase and lease options for its software systems in the future.

For the three months ended 31 March 2012 and 2013, the revenue from sales of software systems increased from approximately 16.5% of the Group's total revenue for the three months ended 31 March 2012 to approximately 21.4% of the Group's total revenue for the three months ended 31 March 2013 while revenue from lease of software systems slightly increased from approximately 35.9% of the Group's total revenue for the three months ended 31 March 2012 to approximately 36.5% of the Group's total revenue for the three months ended 31 March 2013. The Group signed new contracts of sale of software systems (comprising new set of software and modules) during the first three months of 2012 and 2013. The total contract values of these contracts were approximately HK\$179,000 and HK\$2,642,000 for the three months ended 31 March 2012 and 2013 respectively. There was one sale of new set of software system during the three months ended 31 March 2013 with a contract value of approximately HK\$1,100,000 while there was no sale of new set of software system during the three months ended 31 March 2012. Based on the Group's accounting policy, the revenue was recognised on the percentage of completion method and the amounts of approximately HK\$179,000 and HK\$1,282,000 were recognised as revenue from the new contracts in relation to sales of software system for the three months ended 31 March 2012 and 2013 respectively. As a result, the revenue increased during the three months ended 31 March 2013 because the contract values for contracts signed increased as compared to that of the three months ended 31 March 2012.

The ancillary services such as maintenance services and hosting services also provide the Group with a wider variety of recurring income sources and accordingly continuous cash inflow for its business development. For the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013, the recurring income, which were generated from lease of software systems, maintenance services and hosting services accounted for approximately 44.8%, 65.4% and 67.6% of the Group's revenue respectively.

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For the lease of software systems, the Directors consider that there is relatively low incentive for a customer to switch to another software system, provided that the customer is generally satisfied with the performance of the software system installed. This is because it takes time, cost and manpower to switch to another software system. For maintenance services, the Directors consider that it is not easy for its customers to terminate the maintenance services provided by the Group due to the reasons that (i) given the vital nature of the software systems to the operation of the brokerage business of its customers, maintenance services can ensure that the customers receive upgrades of the software systems in accordance with changes in the rules and regulations and architecture in the financial markets, and receive modification services for correction of defects and problems; and (ii) it is unfeasible for third parties other than the Group to provide maintenance to the Group's software systems as third parties do not have access to the source codes of the Group's software systems. Other than the above, the Directors consider that (i) provision of quality after-sales services to its customers; and (ii) maintaining regular contact with existing customers with an aim to keeping abreast of their latest needs help the Group maintain on-going relationships with its existing customers.

The table below shows the number of customers who commenced to contribute revenue or terminated the contracts of below sources of revenue during the years ended 31 December 2011 and 2012 and up to the Latest Practicable Date:

Lease of software systems (Note 1)

	Year ended		From 1 January 2013 to 31 March 2013	From 1 April 2013 up to the Latest Practicable Date
	2011	2012		
Number of customers at beginning of the year/period	30	28	33	34
Number of new customers who commenced the minimum contract period during the year/period	3	6	2	–
Number of customers who terminated contracts within or after the minimum contract period during the year/period	(5)	(1)	(1)	(1)
Number of customers at the end of the year/period	<u>28</u>	<u>33</u>	<u>34</u>	<u>33</u>

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Maintenance Service

	Year ended 31 December 2011	2012	From 1 January 2013 to 31 March 2013	From 1 April 2013 up to the Latest Practicable Date
Number of customers at beginning of the year/period	32	34	39	38
Number of new customers who joined during the year/period	3	7	1	–
Number of customers who terminated contracts during the year/period	(1)	(2) ^(Note2)	(2) ^(Note2)	(2)
Number of customers at the end of the year/period	<u>34</u>	<u>39</u>	<u>38</u>	<u>36</u>

Hosting Service

	Year ended 31 December 2011	2012	From 1 January 2013 to 31 March 2013	From 1 April 2013 up to the Latest Practicable Date
Number of customers at beginning of the year/period	15	13	12	12
Number of new customers who joined during the year/period	1	–	–	–
Number of customers who terminated contracts during the year/period	(3)	(1)	–	(1)
Number of customers at the end of the year/period	<u>13</u>	<u>12</u>	<u>12</u>	<u>11</u>

Notes:

- Customers who terminated contracts of lease of software systems before the commencement of the minimum contract period were not included in this table.
- One customer who terminated maintenance contract in 2012 and one customer who terminated maintenance contract in 2013 switched to lease of software systems from the Group in 2013 and accordingly do not require to subscribe for the Group's maintenance services at a fee.

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The Group generally did not formally renew the lease and maintenance contracts of software systems with the customers in written form after the minimum contract period. The lease of software systems was continued through monthly issue of invoices and payment of lease fees until terminated by either party. Accordingly, no further contract terms were agreed on and expiry and renewal of lease contracts are no longer applicable to these customers. Maintenance services after the minimum contract term were rendered upon payment of invoices issued either quarterly, semi-annually or annually until terminated by either party. Similar to the situation of lease of software systems, expiry and renewal of maintenance contracts are no longer applicable to these customers.

During the years ended 31 December 2011 and 2012, there were 5 customers and 1 customer who respectively terminated their lease contracts within or after the minimum contract period. According to the knowledge of the Group, the terminations were generally due to (i) the customers switched to trading systems of lower fee as offered by the Group's competitors; and (ii) the customer's business operation had changed or ceased. As confirmed by the Directors, there were no major disputes or disagreement between the Group and these customers.

There were 1 and 2 customers who terminated its/their maintenance services during the years ended 31 December 2011 and 2012 respectively. According to the knowledge of the Group, the terminations were generally due to the cessation of the use of the Group's software systems resulted from change of business by customers. As confirmed by the Directors, there were no major disputes or disagreement between the Group and these customers.

There were 3 and 1 customers who terminated its/their hosting services during the years ended 31 December 2011 and 2012 respectively. According to the knowledge of the Group, the terminations were generally due to (i) cost saving of the customers by relocating the servers back to their office; and (ii) the customers ceased using the Group's software systems, so the corresponding hosting service was ceased. As confirmed by the Directors, these were no major disputes or disagreement between the Group and the above customers.

The outstanding balance of trade receivable for the terminated customers for the years ended 31 December 2011 and 2012 were approximately HK\$88,000 and approximately HK\$36,000 as at the date of termination respectively. There was no impairment loss recognised for such trade receivable because all the outstanding amounts were fully settled subsequently.

For the year ended 31 December 2011, 3 customers terminated their lease contracts with the Group after signing the contract, but before the commencement of the contract term while 2 customers terminated their lease contracts with the Group within the minimum contract period. For the year ended 31 December 2012, only 1 customer terminated their contract with the Group before the commencement of the contract period while no customers terminated its lease contract with the Group within the minimum contract period. The relevant lease contracts had a minimum contract term of 12 to 24 months with total contract value of approximately HK\$1,920,000 and HK\$1,632,000 for the years ended 31 December 2011 and 2012 respectively. Under the contract term, the customers should pay for the remaining monthly charge to the Group if there is early termination by the customers. These customers terminated the contracts before the commencement of or within the contract term because (i) the customer's business operation had changed or ceased; or (ii) the customers requested for further requirement on original signed contract but failed to agree with the Group on revised fee after negotiations. However, the Group and these customers mutually agreed to terminate the service and the customers were at most only required to forfeit the deposits of the monthly charge (which was HK\$288,000 and HK\$264,000 for the years ended 31 December 2011 and 2012, respectively) for the purposes of future business opportunities.

Although there were certain customers for both lease of software systems and maintenance services terminating their contracts with the Group in 2011 and 2012, they are generally customers with significant revenue contribution to the Group. For major customers of the Group, the continuation of services are relatively stable.

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Below table sets out the amount of revenue contributed by all contracts terminated/not continued, as well as the remaining contract value for all terminated contracts during the Track Record Period:

	For the year ended		For the
	31 December		3 months
	2011	2012	ended
	<i>(HK\$)</i>	<i>(HK\$)</i>	31 March
			2013
			<i>(HK\$)</i>
Revenue contributed by contracts terminated/not continued	765,000	197,000	53,000
Remaining contract value of all contracts terminated	1,529,000	1,632,000	21,000

The transition of the trading platform for the securities market will be rolled out tentatively by the first quarter of 2014 and fully implemented in mid 2015, while for that of the futures market, it will tentatively be rolled out by the fourth quarter of 2013 and fully implemented by 2017. Since the Group's contracts for lease of software systems only have a term of 12 to 24 months, all contracts will expire before the full implementation of the new trading platform for the securities market and the futures market. As the trading software systems would not have access to the new trading platform after full implementation of the platform if it is not upgraded, the continuous engagement of the Group's services is subject to the Group's ability to upgrade its software system successfully. If the existing lease contracts are not continued, the Group's revenue will be adversely affected.

Taking into account (i) that for the lease of software system, there is relatively low incentive for a customer to switch to another software system; (ii) that for maintenance services, it is not easy for the customers to terminate the maintenance service provided by the Group; (iii) that the Group has maintained a satisfactory continuation rate for its lease of software system and maintenance services as demonstrated in the table above; (iv) the Group's effort in provision of after-sales services and fostering customer relationship; (v) the Group's ability to upgrade its software system to cope with the latest change in trading rules and regulations and infrastructure in the financial markets; and (vi) that there were no material complaints by the customers during the Track Record Period, the Directors consider that the Group will be able to continue at least a major portion of its existing contracts for lease of software systems and maintenance services.

PRINCIPAL COMPETITIVE STRENGTHS

The Directors believe that the Group's following competitive strengths are keys to its success and track record and will contribute to its future growth:

1. The Group has built up reputation in the industry and has an established customer base

Establishment of reputation takes time and effort. Over the years, the Group has developed an established customer base with sizeable brokers and banks, including some Hong Kong and PRC based renowned brokers and banks. As at 31 December 2012, the Group's systems were installed at 64 customers. The Directors believe that such a client base provides the best proof of

the Group's product and service quality, and its success in building up its reputation in the financial markets. This could also provide a source of new business for the Group through referrals from existing customers. The Group became one of the leading financial trading software solution providers and ranked the fifth in terms of revenue of financial trading and settlement systems market in 2012.

2. The Group has been focusing on developing software solutions for financial products

The Directors believe that being focused on developing software solutions is important for delivering quality products and professional services to its customers. As a result, the Group concentrates its focus on developing financial trading software systems since the Group's establishment in 2001, offering the Group's customers solutions for trading different products in different markets. With this focus, the Group has enriched its product line and upgraded its existing products to suit changing market needs. The history of the Group's major products are set out in the paragraph headed "Research and development" under this section.

3. The Group has a people-oriented management culture and a stable core work force

The development of financial trading software solutions requires not only technological knowledge but also familiarity with the Group's products and in-depth know-how about different financial products, operations of financial institutions, and continual awareness of changes in the trading rules and regulations and architecture in the financial markets. Therefore, the Group's success relies heavily on the staff members' accumulated market knowledge and technological expertise; hence the quality and stability of its work force is invaluable. The Group's management has spent effort to establish their sense of belonging to the Group and foster a teamwork culture. The majority of the Group's senior staff have joined the Group for over 5 years. In particular, 10 out of 18 staff members who have joined the Group for over 5 years are from the development team.

RESEARCH AND DEVELOPMENT

The Group places strong emphasis on research and development as the Directors consider that it is vital to the business development of the Group and to maintain the competitiveness of the Group. The research and development team of the Group have two focuses: (i) the improvement of the existing products; and (ii) the development of new products. The improvement of existing products is handled by a development team of 22 staff while the development of new products is handled by a research team of 4 staff.

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The following table sets out the relevant industry experience of the development team and research team as at the Latest Practicable Date:

Years of relevant industry experience (not less than)	Number of Staff
0–1 year	2
1–3 years	7
3–5 years	3
5–10 years	10
10 years or above	4

In addition, all but one member of the development team and research team are degree holders, details of which are set out below:

Academic qualification	Number of Staff
Higher Diploma in Systems Analysis	1
Bachelor of Science (<i>Note 1</i>)	9
Bachelor of Engineering (<i>Note 2</i>)	10
Bachelor of Arts in Computing	2
Master of Science (<i>Note 3</i>)	3
Master of Information Technology in Project Management	1

Note 1: Amongst the Bachelor of Science holders, 1 majored in Computing, 3 majored in Computer Science, 2 majored in Information Technology, and 3 were general degrees.

Note 2: Amongst the Bachelor of Engineering holders, 4 majored in Information Engineering, 3 in Computer Science, 1 in Electronic and Information Engineering and 2 in Computer Engineering.

Note 3: Amongst the Master of Science holders, 2 majored in Information Technology while 1 was a general degree.

Apart from relevant technological academic background and working experience, the development team and the research team have to acquire knowledge in different financial products, operations of financial institutions, continuous changes in the trading rules and regulations and architecture in the financial markets. An induction training is provided to new staff of the Group to provide basic knowledge of the Group's products. The research and development works are led by the Group's chief technology officer and the executive Director, Mr. Lai, with the assistance of (i) a project director, Mr. Liu; (ii) two project managers, Mr. Li Yiu Fai, Thomas and Mr. Sze-To Wai Keung; and (iii) an assistant project manager, Mr. Chiu Pak Ki, Percy.

The academic qualifications and working experiences of Mr. Lai and Mr. Liu are set out in the section headed "Directors, Senior Management and Staff" of this prospectus. The academic qualifications and working experience of the two project managers and the assistant project manager are set out below.

Mr. Sze-To Wai Keung is the project manager of iAsia (BVI). Mr. Sze-To obtained a degree of Bachelor of Arts in Computing from the Hong Kong Polytechnic University in 2000. Since then, Mr. Sze-To had acquired relevant industry experience while working as analyst programmer for two financial

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software vendors and a securities company. He joined iAsia (BVI) in 2007 as a system analyst. He was promoted to assistant project manager in 2010 and since April 2011, he has been the project manager of iAsia (BVI). Mr. Sze-To has participated in various back office projects of the Group, such as the design and development of the fourth generation of the Back Office System which supports settlement services for both overseas and Hong Kong securities market.

Mr. Li Yiu Fai, Thomas is the project manager of iAsia (BVI). He joined iAsia (BVI) in 2003. Before joining the Group, he worked in a brokerage house as an analyst programmer. Mr. Li obtained a degree in Information Systems from Staffordshire University. He is responsible for the development of the Group's Front Office Systems.

Mr. Chiu Pak Ki, Percy is an assistant project manager of iAsia (BVI). He obtained a Master Degree in Science from the University of Louisiana at Lafayette in 2004. He joined iAsia (BVI) in 2005 as a consultant and was involved in the development and enhancement of the Group's forex and bullion trading system. He later participated in the development of the Bullion Matching System for CGSE. Since 2010, Mr. Chiu has been involved in the projects relating to the front office system for securities trading. He has accumulated more than eight years of solid experience in developing financial trading systems. Currently, he supervises the projects relating to the development and enhancement of the Group's Front Office Systems.

As the members of the development team and research team of the Group are vital to the business development of the Group, the Group has adopted and will adopt a number of measures to retain them, details of which are set out in the paragraph headed "Staff relation" under the section headed "Directors, Senior Management and Staff" of this prospectus. The risk in relation to the Group's failure to retain its technical staff are set out in the sub-paragraph headed "If the Group's key executives and personnel cease to serve the Group and the Group fails to recruit appropriate replacement in a timely manner, the Group's business and operation may be adversely affected" under the section headed "Risk Factors" of this prospectus.

After a product is released to the market, the Group will upgrade and improve the product to meet the increasing demand of its clients' functional requirements. Product enhancement requirements are collected from the Group's clients, business development team, customer service team and product development team. The development team is responsible for the development works of customised functions involved in the sale of software systems. Additions or modifications of functions of the Group's software systems as requested by the customers may ultimately become part of the standard package of the Group's software systems. Feedback from clients are sometimes collected by the business development team and customer service team of the Group in relation to the latest demand of the customers and defects of the existing products. In addition, the development team members keep themselves abreast of the latest change in the trading rules and regulations and infrastructure in the financial markets and such information is shared among the team members in particular, during a monthly meeting, such that enhancement can be made and upgrade of the software system can be provided to the customers as part of the maintenance service.

Throughout the development process, the Group may need to test its products under a simulated market environment. A leased line is either connected by the Group with the Stock Exchange or between the Group's customers and the Futures Exchange for conducting the relevant tests.

For new products to be developed, the Group may cooperate with pilot brokers. Initial versions of the products may be tested by the pilot brokers in a real market environment in order to see if further improvements of the products are necessary.

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The following table sets out the major milestones of the Group's product development:

2001	First generation of Securities Front and Back Office Systems
2002	First generation of Futures Front and Back Office Systems Second generation of Securities Front Office System
2003	First generation of Forex Front and Back Office Systems First generation of Bullion Front and Back Office Systems
2005	Second generation of Bullion Front and Back Office Systems Module for subscription of IPO through internet Module for interfacing with external systems to trade securities
2006	Second generation of Securities Back Office System Second generation of Futures Front and Back Office Systems Second generation of Forex Front and Back Office Systems Module for storing and placing orders of securities readily when triggering conditions are met Module for sending emails automatically to end clients when orders are executed Module to aggregate clients' orders related to the same securities into one combined order to settle in the market
2007	Third generation of Securities Back Office System Third generation of Forex Front and Back Office Systems Third generation of Bullion Front and Back Office Systems
2008	Third generation of Futures Front and Back Office Systems First generation of Bullion Matching and Trading System for CGSE and its members Module for trading of gold futures Module for interfacing with Bloomberg Execution Management System to import and execute orders of securities for institutional clients
2009	Third generation of Securities Front Office System Fourth generation of Securities Back Office System Fourth generation of Bullion Front and Back Office Systems Download version of trading software for installation at end clients' computers to place orders of futures to designated brokerage firms through internet
2010	Fourth generation of Securities Front Office System Fourth generation of Forex Back Office System Fourth generation of Futures Back Office System Module enabling FIX interface with external parties for overseas trading of securities
2012	Fourth generation of Futures Front Office System Module for trading of RMB currency futures Module for lending and borrowing of stocks of end clients

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As set out in the section headed “Industry Overview” of this prospectus, HKEx has recently implemented major changes in the trading infrastructure. The Group’s development plan to cope with these changes are set out in the paragraph headed “Existing products under enhancement/to be enhanced” below.

Taking into account that (i) the Group has been able to cope with the changes in trading rules and regulations and infrastructure induced by HKEx in the past, particular example includes the upgrade of the securities market trading system to AMS/3.8 in 2011; (ii) the Group has already completed the basic development of the Securities Front Office System and has passed the off-line simulator test arranged by HKEx to cope with the migration of the trading interface which will tentatively be launched by HKEx in the first quarter of 2014; and up to the Latest Practicable Date, the development works were in line with the Group’s plan; (iii) the Group has already completed the basic development work for upgrade of the Futures Front Office System and has passed the certification test arranged by HKEx in the second quarter of 2013 to cope with the migration of trading interface which will tentatively be launched by HKEx in the fourth quarter of 2013; the upgraded Futures Front Office System is ready to be launched after fine-tuning and the development works were in line with the Group’s plan up to the Latest Practicable Date; and (iv) the Group has a development team of 22 staff which is engaged in improvement of existing products, the Directors consider that the Group will be able to upgrade its Securities Front Office System and Futures Front Office System to cope with the recent changes in the trading infrastructure implemented by HKEx in a timely manner.

Products under development/to be developed

(i) *Order Management System*

The Group’s Order Management System is a software system with the principal function of order routing. Together with the development of the Order Management System, the Group plans to establish an order routing platform based on such software system.

The Group’s Order Management System and the Securities Front Office System perform different functions. While the Order Management System mainly performs the function of order routing, which routes orders from one broker to another, the Group’s Securities Front Office System performs the functions of order processing, risk control, client portfolio updates and can connect to the Stock Exchange for order processing. To execute these functions, customers of the Group’s Order Management System have to possess the Group’s Securities Front Office System or similar third party software systems if they need the required functions.

The Group’s Order Management System network is designed to act as a centralised order routing platform to facilitate the order routing between financial institutions. The order routing platform consists of the software, the relevant hardware such as servers, storage system and network equipment, and a pool of counter parties who will receive orders from the users of the Order Management System and place the orders to the relevant exchanges. It provides order routing for both buy and sell sides. The related hardware and software are principally installed at a data centre to be rented by the Group. The Group will also source a pool of counter parties who can connect to global exchanges. The customers can connect to the Order Management System network through the internet or leased line. The orders placed by customers and received by the Order Management System network will automatically be forwarded to the designated counter parties for execution of overseas trade and the AMS of the Stock Exchange for trading of Hong Kong securities without being processed by the Group. The Group expects that this order routing

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platform can save the hardware investment by the users as the principal hardware and software belong to the Group. Even if the users do not have its own front office system, it can connect to the Order Management System network under which the Group can also provide them with the Group's Securities Front Office System installed at the Group's data centre at the request of the users. The Directors consider that this is attractive to Category B and Category C brokers in Hong Kong whom may not be willing to invest in trading systems. This order routing platform also provides the infrastructure for brokers to conduct brokerage business for overseas securities by making use of the pool of counter parties.

The target customers for the Order Management System network are (i) Category B and Category C brokers who are not willing to invest in trading systems; and (ii) Category B and Category C brokers who intend to trade overseas securities but do not have direct connection with overseas exchanges.

Taking into account that (i) the recent change in the trading infrastructure introduced by HKEx will increase the operating costs of brokers; (ii) the Order Management System would save the brokers investment costs in hardware; and (iii) according to the Ipsos Report, the customer spending on order management system in 2012 was estimated to be approximately HK\$380 million, the Directors consider that there shall be demand for such product. Since the Group is experienced in hosting services and interfacing the Group's software systems with overseas brokers through FIX interface, the Directors considers that the concept of data center and order routing management are within the Group's expertise in the development of the Order Management System. The development of the Order Management System and the establishment of the order routing network are within the Group's technical expertise. In view of the above, the Directors consider, and the Sponsor concurs that the development plan for the Order Management System is feasible and reasonable.

The Group has conducted preliminary design works for the network structure and development works for the interface with overseas brokers in 2012. The Group has been conducting hardware and network infrastructure planning and requirement capture since early 2013. The Group will commence the system and network design works in early 2014. The system integration testing will be conducted in late 2014. The building of the order routing platform and the pilot run will be conducted in early 2015. It is expected that the Order Management System will be formally launched in mid 2015.

Below table sets out the project timeframe, total estimated cost and cost incurred during the Track Record Period for development of the Order Management System:

For the period	Milestones
1 July 2012– 31 December 2012	— Conduct preliminary design works for the network structure and development works for interface with overseas brokers
1 January 2013– 31 December 2013	— Conduct hardware and network infrastructure planning and requirement capture
1 January 2014–30 June 2014	— Conduct system and network design work — Conduct system development works
1 July 2014–31 December 2014	— Complete system development works and system integration testing

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- 1 January 2015–30 June 2015** — Conduct preparation work for building the order routing network such as sourcing of hardware and data centre
- Conduct pilot run
- Launch the Order Management System and the relevant order routing network
- 1 July 2015–31 December 2015** — Conduct system enhancement and fine tuning
- Total estimated cost** : Approximately HK\$6.4 million
- Cost incurred during the Track Record Period** : Approximately HK\$1.2 million

The estimated remaining cost to be incurred on the development of the Order Management System after the Track Record Period is approximately HK\$5.2 million, out of which approximately HK\$3.7 million will be financed by the proceeds from the Placing and the remaining, which represents the salary of the existing staff involved in the development, will be financed by the Group's internal resources.

Initially, the Order Management System is used for trading of securities and it is intended to be used for trading multiple financial products eventually.

The key features of the Order Management System are as follows:

- provide orders routing services for both buy/sell sides
- provide a daily/monthly transaction report for billing
- provide a multiple interfaces for participants

Besides building its own order routing platform, the Group will also sell or lease the Order Management System to customers. The target customers for such sale or lease of the Order Management System are investment banks who will make use of the Order Management System to provide order routing service to other brokers.

The Group will only be involved in the provision of relevant software system and hardware for building up an order routing platform for its customers. The Group will not take part in the trading activities conducted on the order routing platform nor be involved in any regulated activity under the SFO in the course of the development, sale or lease of the Order Management System and the operation of the order routing platform. In all cases, the Group does not act as a principal in relation to the relevant trading since the Group is not engaged in any brokerage services such as, order placing and trade enquiry. As such, none of the functions or features of the Group's Order Management Systems, including order routing, will render the Group, as a system vendor, to be involved in any regulated activity under the SFO. The Directors confirm that the Group's role will remain as a software vendor and will not be changed to a brokerage firm. Accordingly no specific licence is required to be obtained by the Group in relation to the development, sale or lease of the Order Management System and the Group shall not be deemed to be providing brokerage services in Hong Kong or any other relevant jurisdictions. Based on the features of the Order Management System, and in view that (a) the orders placed via the Order Management System will not be processed by the Group; (b) the Group will not provide established trade

negotiation or matching services and will not take part in the trading activities conducted via the Order Management System in the course of the development, sale or lease of the Order Management System and the operation of the platform; (c) the Group does not act as a principal in relation to the relevant trading and will not be engaged in any brokerage services such as, order placing and trade enquiry and the Group is not going to make or offer to make any agreement relating to securities and futures dealings or to induce or attempting to induce another person to enter into such an agreement; and (d) it is the intention of the Group to remain solely as a software vendor or provider, the Legal Counsel of the Company is of the view that the Group's involvement in the Order Management System will not fall within the definition of any regulated activity under Schedule 5 of the SFO.

The Group is designing the revenue model for offering the Order Management System and the relevant order routing network. The Group plans to charge a fee for the users of the Order Management System network which will be calculated based on a certain portion of the trading commission received by the brokers for each transaction executed through the order routing network plus a fixed monthly fee. The Group will liaise with potential customers to determine the final revenue model.

(ii) Algorithmic Trading System

Algorithmic trading is a type of electronic trading defined as computer generated activities created by a pre-determined set of rules aimed at delivering specific execution outcomes. Algorithmic trading is widely used by investment banks and institutional investors to divide large trades into several smaller trades to manage market impact and risk. It is also used by sell side traders, such as market makers, to provide liquidity to the market. Market players in Hong Kong are increasingly using complex trading algorithms for the execution of sophisticated trading strategies. According to the Ipsos Report, the customer spending on algorithmic trading systems was estimated to be approximately HK\$415 million in 2012. As there are more financial products and the investment environment has become more complicated, the demand for algorithmic trading system is expected to continue to increase. As advised by the Directors, the Group has made presentations on algorithmic trading systems to certain brokerage firms which have indicated their interests in the Group's algorithmic trading system. In view of this, the Directors consider that there shall be demand for algorithmic trading system. The Directors also notice that certain competitors, in particular international vendors, are offering these kinds of products and the Group aims at offering lower cost solution to potential customers. Since the Group has already conducted successful pilot runs with the pilot broker, the Directors consider that the Group is capable of developing the Algorithmic Trading System. The Algorithmic Trading System is within the Group's technical expertise. In view of the above, the Directors consider, and the Sponsor concurs that the development plan for the Algorithmic Trading System is feasible and reasonable.

The Group's Algorithmic Trading System is an advanced program trading system targeting (i) institutional investors and brokerage firms to conduct arbitrage trading; and (ii) investment banks to conduct market making activities. As the target customers of this product are different from the Group's existing customers, it is expected that this product will expand the Group's customer base.

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The Group commenced preliminary development works on the Algorithmic Trading System in the third quarter of 2011. It has worked with an independent pilot broker, being a futures broker, since the third quarter of 2012 to test the trading strategies in order to determine different trading parameters for enriching features and enhancing efficiency of the trading system. Facilities have been provided by the pilot broker to facilitate the testing of the Algorithmic Trading System. In addition, regular communication were held between the pilot broker and the Group to closely monitor the progress and performance of testing. The cooperation with the pilot broker was mainly to facilitate the testing of the system. No memorandum of understanding has been entered into between the Group and the pilot broker in relation to the purchase or lease of the Algorithmic Trading System to be launched.

It is expected that the development works will be completed during the first half of 2014 and the Algorithmic Trading System can be officially launched by then. The Group's Algorithmic Trading System is intended for trading of futures only at the initial stage and will extend its coverage to other financial products such as securities at a later stage.

Below table sets out the project timeframe, total estimated cost and cost incurred by the Group during the Track Record Period for development of the Algorithmic Trading System:

For the period	Milestones
1 July 2011–30 June 2012	— Conduct system development works
1 July 2012–31 December 2013	— Test trading strategies
	— Enrich features and enhance efficiency
1 January 2014–30 June 2014	— Complete system development works
1 July 2014–31 December 2014	— Launch the arbitrage section with main focus on index futures traded on the Futures Exchange
	— Launch the market maker section with main focus on index futures and index option products traded on the Futures Exchange
	— Launch the arbitrage section with main focus on futures and option products traded on the Futures Exchange
1 January 2015–30 June 2015	— Integrate and embed the interface into the Algorithmic Trading System in order to place orders for securities traded on the Stock Exchange
	— Include more trading strategies
1 July 2015–31 December 2015	— Extend the arbitrage section to support arbitrage on stock and stock option products traded respectively on the Stock Exchange and the Futures Exchange

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Total estimated cost	:	Approximately HK\$5.3 million
Cost incurred during the Track Record Period	:	Approximately HK\$1.8 million

The estimated remaining cost to be incurred for the development of Algorithmic Trading System after the Track Record Period is approximately HK\$3.5 million, out of which approximately HK\$1.8 million will be financed by the proceeds of the Placing and the remaining, which represents the salary of the existing staff involved in the development, will be financed by the Group's internal resources.

(iii) Mobile App for Tablet

The Group's Mobile App for Tablet is a trading software currently under development by the Group for use in tablet devices, enabling brokers to, among other things, view market prices, place orders, perform order inquiries and various client management functions. The Mobile App for Tablet is the tablet-version of the Front Office Systems installed in the computers of the brokerage firms with certain key functions. The Mobile App for Tablet has to connect to the Group's Front Office Systems installed at the customers' office. Orders placed by the Mobile App for Tablet will be processed and forwarded to the Front Office Systems of the customers for execution. The Mobile App for Tablet facilitates the brokers to place orders for clients anywhere. The Directors consider that the launch of the Mobile App for Tablet is in line with the increasing popularity and functionality of tablet devices. According to a survey, sales of tablet in Hong Kong recorded 1.9 million units in 2012, representing a growth of 44% compared with that in 2011.

The Group has outsourced part of the development work, being the user interface design, to an IT company for a fee of HK\$380,000. A deposit of HK\$152,000 was paid during the Track Record Period.

The Group commenced the development work of Mobile App for Tablet in January 2013. The Group has been collaborating with the IT company mentioned above to confirm the design of the application such as user interface testing and functionality, and has also procured hardware and software for development. Preliminary coding regarding the connectivity and data retrieval from HKEx and few functions have been implemented for the application.

The Mobile App for Tablet is being developed for trading of futures in order to cope with the extended trading hours (from 5:00 p.m. to 11:00 p.m.) of the Futures Exchange implemented in April 2013.

According to the Ipsos Report, the customer spending on mobile application software for trading and settlement system was estimated to be approximately HK\$23 million in 2012. Because of the popularity of smart phones and tablets, the demand for the mobile application software for trading and settlement system is expected to increase.

Having considered (i) the expected growth as mentioned above in the Ipsos Report; and (ii) the recent extension of trading hours of the Futures Exchange, the Directors consider that there shall be demand for the Mobile App for Tablet, as it can facilitate the brokers to place orders for clients anywhere within such long trading hours. Other than the development work for the user interface design, other parts of the development work for the Mobile App for Tablet, being a tablet version of the Front Office System of the Group, is within the Group's technical expertise. In view of the above, the Directors consider and the Sponsor concurs that the development plan for the Mobile App for Tablet is feasible and reasonable.

As the Mobile App for Tablet has to connect to the Group's Front Office Systems and it is currently being developed for trading of futures, the target customers of the Group's Mobile App for Tablet is existing and potential customers of the Group's Futures Front Office System.

The Group is conducting development works for the Mobile App for Tablet. Testing of the Mobile App for Tablet was conducted in April 2013 and pilot run is expected to be conducted in around October 2013. It is expected that the product will be formally launched to the market by the end of 2013.

The Mobile App for Tablet will be initially launched for Android platform and will be extended to iOS platform and other platforms at later stage.

(iv) Mobile App for Retail Investors

The Group's Mobile App for Retail Investors is a software that will be developed by the Group for use in retail investors' mobile devices, enabling them to, among other things, view the market prices and place orders. It is an application targeting the brokers to facilitate their clients' trading. The Mobile App for Retail Investors has to connect to the Group's Front Office Systems installed at the customers' office. Orders placed by the Mobile App for Retail Investors will be processed and forwarded to the Front Office Systems of the customers for execution. The Directors consider that the launch of the Mobile App for Retail Investors is in line with the increasing popularity and functionality of mobile devices. According to a fact sheet published by the Office of the Government Chief Information Officer, smartphone's penetration rate in Hong Kong as at 2011 was 61%, which was among the second highest in the world.

The development work of the Mobile App for Retail Investors was conducted in July 2013, and it will firstly be developed for trading of futures. Testing and pilot run of the Mobile App for Retail Investors will be conducted in November 2013 and December 2013 respectively. It is expected that the product will be formally launched to the market by the end of 2013.

Having considered (i) the growing popularity of smartphones and tablets in Hong Kong as mentioned above; and (ii) the expected growth in demand for mobile application software for trading and settlement system as mentioned above in the Ipsos Report, the Directors consider that there shall be demand for the Mobile App for Retail Investors. Similar to the Mobile App for Tablet, the Mobile App for Retail Investors is within the Group's technical expertise. In view of the above, the Directors consider and the Sponsor concurs that the development plan for the Mobile App for Retail Investor is feasible and reasonable.

As the Mobile App for Retail Investors has to connect to the Group's Front Office System and it is currently developed for trading of futures, the target customers of the Group's Mobile App for Retail Investors is existing and potential customers of the Group's Futures Front Office System.

The Mobile App for Retail Investors will be initially launched for the Android platform and will be extended to iOS platform and other platforms at later stage.

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Below table sets out the project timeframe, total estimated cost and cost incurred by the Group during the Track Record Period for development of Mobile App for Tablet and Mobile App for Retail Investors:

For the period	Milestones
1 January 2013–30 June 2013	<ul style="list-style-type: none"> — Conduct development work — Procure hardware — Conduct testing and pilot run — Conduct system fine tuning
1 July 2013–31 December 2013	<ul style="list-style-type: none"> — Launch Android version of the Mobile App for Tablet — Launch Android version of the Mobile App for Retail Investors
1 January 2014–30 June 2014	<ul style="list-style-type: none"> — Launch iOS version of the Mobile App for Retail Investors
1 July 2014–31 December 2014	<ul style="list-style-type: none"> — Launch iOS version of the Mobile App for Tablet
1 January 2015–30 June 2015	<ul style="list-style-type: none"> — Conduct feasibility study of extending the Mobile App for Tablet and the Mobile App for Retail Investors to Windows 8 platform
Total estimated cost	: Approximately HK\$3.9 million
Cost incurred during the Track Record Period	: Approximately HK\$228,000

The estimated cost to be incurred for the development of Mobile App for Tablet and Mobile App for Retail Investors after the Track Record Period is approximately HK\$3.7 million, out of which approximately HK\$2.1 million will be financed by the proceeds from the Listing and the remaining, which represents the salary of the existing staff involved in the development, by the internal resources of the Group.

Research costs are recognised as an expense in the period in which it is incurred. Development costs that are directly attributable to the design and testing of identifiable systems and satisfied the criteria as set out in the HKFRS are capitalised and will be amortised over the estimated useful life of the new systems once they are available for use. Details of the accounting treatment for research costs are set out in the paragraph headed “Analysis of various items from the statements of financial position” under the section headed “Financial Information” of this prospectus. For the year ended 31 December 2011, no such capitalisation has been made by the Group. For the year ended 31 December 2012 and the three months ended 31 March 2013, research and development costs of approximately HK\$1,142,000 and HK\$350,000 were capitalised respectively. Such research and development costs represented the expenses in the development of Algorithmic Trading System and Mobile App for Tablet. The Directors

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consider that these expenses meet the criteria as required under the HKFRS, details of which are set out in paragraph headed “Analysis of various items from the statements of financial position” under the section headed “Financial Information” of this prospectus.

Existing products under enhancement/ to be enhanced

(i) *Securities Front Office System*

In response to the change in trading platform stipulated by HKEx, the Group has launched a migration project to upgrade the Securities Front Office System. The Group has commenced to upgrade (i) the trading interface with the Stock Exchange from OG to OCG; and (ii) the market data interface, migration of which will tentatively be launched by HKEx in the first quarter of 2014. Since the fourth quarter of 2012, the Group has started ongoing development and testing with HKEx. The upgrade is expected to be completed after conducting the end-to-end test arranged by HKEx in the fourth quarter of 2013.

Below table sets out the timeframe of migration project to upgrade the Group’s Securities Front Office System in response to the transition of the trading platform to OCG:

For the period	Milestones
Fourth quarter of 2012	— Study OCG specification
First quarter of 2013	— Study OCG specification — Conduct development work — Perform offline simulator test
Second and third quarter of 2013	— Conduct fine-tuning
Fourth quarter of 2013	— Perform end-to-end test
First quarter of 2014	— Launch the upgraded version

An upgraded BSS is required to pass the OCG offline simulator test and end-to-end test, both arranged by HKEx, before launch. As advised by the Directors, the Group has completed the basic development work and passed the offline simulator test. The Directors consider that the Group’s upgraded BSS is testified to be compatible with OCG and the progress of upgrade is in line with HKEx’s schedule of transition to OCG. The Group is conducting fine-tuning of the upgraded BSS. The end-to-end test arranged by HKEx, which is to test the connectivity and function of the upgraded BSS in the testing environment only, is expected to be performed in the fourth quarter of 2013. Starting from the first quarter of 2014, customers of the Group’s upgraded BSS are required to perform market rehearsal arranged by HKEx to test on server and system connectivity with assistance from the Group. The Group is not aware of any foreseeable difficulties to have the upgrade completed.

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The upgraded version of Securities Front Office System is compatible with the extended features of OCG and will be provided to the Group's existing customers of Securities Front Office System free-of-charge upon decommission of OG platform in mid 2015 being offered as free-upgrade maintenance services in respect of mandatory changes induced by HKEx and the SFC. The Group's customers may pay a one-off fee to purchase the upgraded version during the transition from OG to OCG, which is from the first quarter of 2014 until mid 2015, for early enjoyment of the extended features of OCG.

Apart from the above necessary enhancement to cope with the change in trading infrastructure, the Group is also planning to put forward new features for the Securities Front Office System to improve its compatibility with the banking sector. Key features are set out as follows:

- Enhanced system security meeting the compliance requirements of HKMA
- Interface with various financial systems in a banking group
- Linkage to host database system of banks

Development work will be commenced in the second quarter of 2014 and the enhanced Securities Front Office System is expected to be launched in the fourth quarter of 2014. Below table sets out the project timeframe, total estimated cost and cost incurred by the Group during the Track Record Period for enhancement of the Securities Front Office System:

For the period	Milestones
1 January 2014–30 June 2014	— Develop and test the enhanced version for banking sector
1 July 2014–31 December 2014	— Launch the enhanced version
Total estimated cost	: Approximately HK\$389,000
Cost incurred during the Track Record Period	: Approximately HK\$215,000

(ii) Futures Front Office System

In response to the change in trading platform stipulated by HKEx, the Group has launched a migration project to upgrade the Futures Front Office System. The Group commenced in the second quarter of 2013 to upgrade the trading interface with the Futures Exchange from NG to CG, migration of which will tentatively be launched by HKEx in the fourth quarter of 2013. The Group commenced the review of the specification of market data interface in the third quarter of 2013, migration of which will tentatively be launched by HKEx in the first quarter of 2014. The Group tentatively scheduled to commence the enhancement of the market data interface in the fourth quarter of 2013, which is expected to be completed in the first quarter of 2014. The Group's upgraded Futures Front Office System passed the certification test arranged by HKEx in June 2013 and the basic development work is completed.

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Below table sets out the timeframe of migration project to upgrade the Group's Futures Front Office System in response to the transition to Genium INET platform:

For the period	Milestones
1 January 2013–31 March 2013	— Study Genium INET specification
1 April 2013–30 June 2013	— Conduct development work
	— Enhancement of various functions such as risk management
	— Conduct internal testing
	— Perform certification test
1 July 2013–30 September 2013	— Conduct fine-tuning
1 October 2013–31 December 2013	— Launch the upgraded version

The Group's upgraded Futures Front Office System is ready to be launched after fine-tuning. Certain customers of the Group's upgraded Futures Front Office System have performed and passed the market rehearsal arranged by HKEx to test on server and system connectivity with assistance from the Group. The Group is not aware of any foreseeable difficulties to have the upgrade completed.

The upgraded version of Futures Front Office System is compatible with the extended features of the Genium INET platform. For existing customers of the Group's Futures Front Office System who do not opt for purchase of this version, the Group will also, upon decommission of NG in 2017, offer a free-upgrade version of Futures Front Office System which is also compatible with Genium INET platform. However, these customers will not be able to enjoy the extended features associated with the Genium INET platform under the free-upgrade version which is offered as maintenance services in respect of mandatory changes induced by HKEx and the SFC.

Apart from the above necessary upgrade to cope with the change in trading infrastructure, the Group is also planning to put forward new features for the Futures Front Office System to broaden its functionalities. Key features are set as follows:

- Support trading of overseas futures products through FIX interface
- Support ordering methodology by clicking on price chart
- Enable multi-function hot key designs to improve traders' efficiency in order placing

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Development work will be commenced in the second half of 2013 and the enhanced Futures Front Office System is expected to be launched in the second quarter of 2014. Below table sets out the project timeframe, total estimated cost and cost incurred by the Group during the Track Record Period for enhancement of Futures Front Office System:

For the period	Milestones
1 July 2013–31 December 2013	— Conduct development work of new features
1 January 2014–30 June 2014	— Launch the enhanced version
Total estimated cost	: Approximately HK\$244,000
Cost incurred during the Track Record Period	: Approximately HK\$54,000

(iii) Back Office Systems

To enhance the comprehensiveness of the Back Office Systems, the Group plans to expand its functionalities to accommodate increasing demand of existing and potential customers particularly in the banking sector. Key features are set out as below:

- Linkage to host system of banks to facilitate internal cash movements
- Deploy hardware security module to manage and protect sensitive data
- Incorporate client relationship management system for client data sharing and synchronisation between systems

Development work will be commenced in the second quarter of 2014 and the enhanced Back Office System is expected to be launched in the fourth quarter of 2014. Below table sets out the project timeframe, total estimated cost and cost incurred by the Group during the Track Record Period for enhancement of Back Office Systems:

For the period	Milestones
1 January 2014–30 June 2014	— Develop and test the enhanced version
1 July 2014–31 December 2014	— Launch the enhanced version
Total estimated cost	: Approximately HK\$480,000
Cost incurred during the Track Record Period	: Nil

The cost of existing staff responsible for development of new products and enhancement of existing products after the Track Record Period amounts to approximately HK\$5.6 million which will be funded by internal resources. Given that the Group had cash and bank balances of approximately HK\$16.1 million as at 31 March 2013, the Directors consider, and the Sponsor concurs, that the Group has sufficient internal resources to fund the development of new products and enhancement of existing products.

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Below table summarises (i) the total estimated costs; (ii) cost incurred during the Track Record Period and up to 31 August 2013; (iii) cost to be incurred and to be financed by the Listing proceeds; and (iv) cost to be incurred and to be financed by internal funds for each research and development project and for expansion of existing development team:

	Total estimated cost <i>HK\$'000</i>	Cost incurred during the Track Record Period and up to 31 August 2013 <i>HK\$'000</i>	Cost to be incurred and to be financed by the Listing proceeds <i>HK\$'000</i>	Cost to be incurred and to be financed by internal funds <i>HK\$'000</i>
Development of:				
Order Management System	6,360	1,157	3,720	1,483
Algorithmic Trading System	5,308	2,113	1,800	1,395
Mobile App for Tablet/ Retail Investors	3,885	690	2,095	1,100
Enhancement of:				
Securities Front Office System	389	389	Nil	–
Futures Front Office System	244	159	Nil	85
Back Office Systems	480	–	Nil	480
Expansion of existing development team	4,650	–	4,650	–
Total	21,316	4,508	12,265	4,543

PURCHASE AND SUPPLIERS

The Group's suppliers mainly comprise of (i) hardware vendors who supply hardware, which are mainly servers, for the Group's sale of hardware; and (ii) data centre operators and network system providers who lease out rack space in data centres and network systems respectively for the Group's hosting services. The Group generally selects its suppliers based on their scale of business and reputation. Since the Group focuses mainly on the development and sale of software systems, and the provision of hardware and hosting services are only complementary services offered to customers as a total solution, the Directors do not consider the Group's business as dependent on its suppliers. Given the availability of products and services provided by its suppliers, the Group is unlikely to have material difficulties in replacing its suppliers in the event of shortages in supply or termination from its suppliers. The Group did not experience any shortage or delay in supply during the Track Record Period.

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For the Group's purchase of hardware, none of the Group's suppliers have entered into long term supply contracts with the Group. The Group places orders for hardware with its suppliers when there is such demand from its customers and signs contracts with its suppliers on a back-to-back transaction basis. Upon indication of orders from customers, the Group will obtain quotations from its suppliers which will remain valid for a specified timeframe. The Group will then present the quotation to the customers and the orders will be placed upon their agreement within the specified time frame. Accordingly, the Group would be able to pass any increase in cost of supply to its customers and the Group does not need to keep any inventories. Some of the Group's hardware suppliers offer rebates to the Group as an incentive for selling the suppliers' products. For the lease of rack space in data centres and networks systems, the rental payments are settled on a monthly basis. During the Track Record Period, all purchases and rental payments were settled in HK dollars. The suppliers grant the Group a credit period up to 30 days.

The two data centres leased by the Group are located in Hong Kong and Macau respectively. During the Track Record Period, the data centres charged a monthly fee of approximately HK\$41,400 and approximately MOP19,400. The Group rented 4 racks in aggregate in the two data centres.

The major contract terms of the Group's lease agreement with the data centres are as follows:-

Term of service: The initial contract period is 12 months.

The Group shall pay for the remaining monthly charges to the data centre if there is early termination by the Group.

For the Hong Kong data centre, upon expiry of the contract period, it will be automatically renewed on a monthly basis on the same terms and either party may terminate the agreement by giving 1 month's prior written notice.

For the Macau data centre, upon expiry of the contract period, it will be automatically renewed for subsequent 12-month periods and the Group may terminate the agreement by giving 1 month's prior written notice.

Deposit: Deposit equivalent to 1 to 3 months monthly charges shall be paid by the Group to the relevant data centre upon signing of the quotation

Liability:

Liability clause for the Hong Kong data centre:

Except to the extent prohibited by law, the data centre shall have no liability whatsoever to the Group, or any person claiming through the Group, for any indirect, consequential or economic loss or damage including without limitation any loss of data, management time, business opportunity or actual contracts by the Group. In addition, the data centre shall not be responsible for the following:

- (a) any error or interruption in, or unavailability of the services provided, or any damage, malfunction or failure in performance of the equipment and any software installed which are not caused by its willful default;
- (b) any failure to prevent unauthorised access to, or alteration, theft or destruction of the space, equipment or the Group's data files, programmes or other information;
- (c) its act of omission in accordance with the Group's instructions;
- (d) any loss, corruption, error, inaccuracy, delay, interruption of use of any data or information provided by, to or through the Group;
- (e) any delay, failure or interference in network connection which are not caused by its willful default;
- (f) any loss, damage or injuries resulting from the performance, functionality or configuration of the equipment or the software installed on the equipment; and
- (g) any loss, damage or injuries resulting from the negligence, misconduct or fraud of the Group.

The data centre's liability shall under no circumstances exceed the amount of the fees paid to it in the six months preceding the date of events giving rise to the claim.

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Liability clause for the Macau data centre:

The data centre shall not be liable to the Group for any indirect, consequential or economic loss or damage by the Group arising out of a breach by the data centre of the contract agreement. The data centre shall not be liable to the Group for any loss or damage, whether direct or indirect, where such loss or damage is caused by an event of force majeure or by the acts of hackers. In the event of any breach of the agreement by the data centre, the remedies of the Group shall be limited to direct proven damages. Notwithstanding any provisions in the agreement in the contrary, under no circumstances shall the liability of the data centre in connection with the agreement exceed the amount of the fees paid to the data centre.

The following sets out the details of the Group's top five suppliers during the Track Record Period.

For the year ended 31 December 2011

Supplier	Supplier group	Principal business	Years of relationship with the Group (more than)
Supplier A	Hardware vendor	Distribution of IT products	5
Supplier B	Hardware vendor	Sales and marketing of IT and communications products/solutions	5
Supplier C	Hardware vendor	Distribution of fault-tolerant server	5
Supplier D	Hardware vendor	Distribution of IT hardware and software	5
Supplier E	Hardware and networking vendor	Telecommunications carrier	5

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For the year ended 31 December 2012

Supplier	Supplier group	Principal business	Years of relationship with the Group (more than)
Supplier F	Data centre	Data centre hosting in Hong Kong	4
Supplier E	Hardware and networking vendor	Telecommunication carrier	5
Supplier D	Hardware vendor	Distribution of IT hardware and software	5
Supplier B	Hardware vendor	Sales and Marketing of IT and communications products/solutions	5
Supplier G	Data centre	Telecommunication carrier	7

For the three months ended 31 March 2013

Supplier	Supplier group	Principal business	Years of relationship with the Group (more than)
Supplier F	Data centre	Data centre hosting in Hong Kong	4
Supplier E	Hardware and networking vendor	Telecommunication carrier	5
Supplier G	Data Centre	Telecommunication carrier	7
Supplier H	Hardware and networking vendor	Telecommunication carrier	6
Supplier I	Hardware vendor	Hardware vendor	5

For the years ended 31 December 2011 and 2012 and three months ended 31 March 2013, the five largest suppliers of the Group accounted for approximately 67.0%, 72.3% and 96.5% of its cost of sales (excluding direct staff costs) respectively while the largest supplier of the Group accounted for approximately 16.9%, 18.8% and 39.0% of its cost of sales (excluding direct staff costs) respectively. None of the Directors or their respective associates or any Shareholder holding more than 5% of the issued capital of the Company immediately following completion of the Placing and the Capitalisation Issue held any interest in any of the five largest suppliers of the Group as at the Latest Practicable Date.

SALES AND MARKETING

Sales

The Group mainly derives its revenue from the sale and lease of software systems and the provision of related services. The major revenue sources of the Group are set out in the paragraph headed “Revenue model” of this section.

The Group maintains a standard price list for its principal products and services. The actual price charged to its customers is negotiated with customers with reference to (i) the price list; (ii) the number of modules of the software system selected by the customers; (iii) the number of trading terminals at which the software system is installed; (iv) the number of users of the customers; and (v) the complexity of customisation works involved. Details of the Group’s pricing policy are set out in the paragraph headed “Revenue model” under this section.

The payment method is negotiated between the Group and the customers. For those products and services which involve a one-off purchase, such as sale of software systems, the payment is made by installments, details of which are set out in the paragraph headed “Revenue model” under this section. For the Group’s sale of software systems, credit period of not more than 30 days is granted to customers depending on negotiation. For other services, such as lease of software systems, maintenance services and hosting services, a payment is required to be made on the first day of each month and a deposit may be required.

The Group makes allowance on doubtful debts based on assessments of the recoverability of the trade receivables, including the aging analysis of the trade receivables, the current creditworthiness and the past collection history of each debtor. An allowance for doubtful debts of approximately HK\$255,000, HK\$283,000 and HK\$115,000 was provided as at 31 December 2011 and 2012 and 31 March 2013 respectively. When a trade receivable is considered uncollectible, it is written off against the allowance account. Trade receivables of approximately HK\$488,000, nil and nil have been written off during the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013. The amounts written off represented trade receivables considered as uncollectible due to termination of agreements in relation to sale of software systems and an one-off fee for a lease contract terminated before the commencement of minimum contract period.

Different products and services may be offered together in bundled agreements with the Group’s customers, e.g. a contract for the sale of software systems may be bundled with the provision of maintenance services, but the relevant prices will be stated separately in the agreements. The relevant revenue will be recognised separately according to the nature of the revenue sources. For the accounting treatment of different revenue sources, please refer to the paragraph headed “Principal components of results of operations” under the section headed “Financial Information” of this prospectus.

During the Track Record Period, the Group transacted with its customers mostly in HK dollars. A minor portion of the Group’s sales were settled in MOP as the Group has a few customers in Macau. For the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013, approximately 96.4%, 99.9% and 99.6% of the Group’s sales were settled in HK dollars with the remaining approximately 3.6%, 0.1% and 0.4% settled in MOP.

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As at 31 December 2012, the aggregate value of the Group's backlog contracts on hand which had not been recognised as revenue are as follows:

	Sales of software systems HK\$'000	Lease of software systems (Note 2) HK\$'000	Software maintenance fee HK\$'000	Hosting fee HK\$'000	Total HK\$'000
Within one year	1,645	3,797	937	118	6,497
Over one year	110	1,593	–	–	1,703
Total	1,755	5,390	937	118	8,200

Notes:

- For the sales of software systems, the value of backlog contracts represents the remaining value of incomplete contracts on hand. For the lease of software systems and other services, the value of backlog order represents the contract value for the remaining terms of the contracts.
- Among the contract value of the Group's backlog contracts for lease of software systems, approximately HK\$960,000 at maximum was related to lease contracts with purchase options.

Should all of the Group's backlog lease and service contracts on hand be terminated upon expiry of the contract period, the Group's revenue would be lessened by approximately HK\$6,898,000 a year assuming that the backlog lease and service contracts can be continued in 2013.

Below table sets out the number of contracts contributing to respective sources of revenue during the years ended 31 December 2011 and 2012:

	For the year ended 31 December	
	2011	2012
Sales of software systems (<i>Note 1</i>)	12	15
Lease of software systems	54	62
Customisation service	58	63
Software maintenance service (<i>Note 2</i>)	109	99
Hosting service	40	31

Note 1: Contracts for sale of software systems comprised (i) sale of new sets of software systems, and (ii) sale of additional modules of software systems.

Note 2: Some customers entered into more than one maintenance contracts with the Group during the year due to (i) customers subscribed for maintenance services for more than one software system; and (ii) extra maintenance services subscribed after customisation of software system.

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Below table sets out the breakdown of revenue attributable to the Group's principal products during the years ended 31 December 2011 and 2012:

	For the year ended 31 December			
	2011	2012		
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Securities Front/Back Office System	26,802	66.1	21,725	64.6
Futures Front/Back Office System	2,731	6.7	3,333	9.9
Forex Front/Back Office System	579	1.5	521	1.6
Bullion Front/Back Office System	371	0.9	321	1.0
CGSE's Bullion Matching and Trading System	2,080	5.1	4,084	12.1
Sales of hardware	5,116	12.6	1,444	4.3
Hosting fee income	2,149	5.3	1,685	5.0
Miscellaneous	725	1.8	514	1.5
	40,553	100.0	33,627	100.0

Over 60% of the Group's revenue is attributable to Securities Front and/or Back Office Systems for the years ended 31 December 2011 and 2012.

As shown in the table on page 88 of this prospectus which sets out the average selling price of the Group's major products and services for the years ended 31 December 2011 and 2012, the Group sold only one set of Front Office System and recorded a drop in the average lease price for Front Office Systems and Front and Back Office Systems for the year ended 31 December 2012. Nevertheless, based on the factors below, the Directors consider that the Group's business can sustain going forward:

1. The Group's success in generation of revenue from existing customers

It is important to note that the Group's revenue does not rely only on revenue generated from new customers. A considerable amount of the Group's revenue has been generated from its existing customers.

Apart from securing business opportunities from new customers, the Group also endeavours to maximise business opportunities from its existing customers. New products are introduced to existing customers and accordingly sales of new sets of software systems have been recorded from the Group's existing customers. New products and/or modules are also introduced to existing customers who have leased the Group's software systems. Increased monthly fee will be charged to existing customers who have leased the Group's software systems and who lease additional new products or modules. In addition, existing customers who need additional modules to be integrated into their existing software systems or who need additions or modifications of functions to their installed systems have brought to the Group revenue from sales of additional modules and system customisation. Recurring income has also been generated from existing customers comprising revenue from lease of software systems, maintenance services and hosting services. For the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013, the Group's aggregate

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revenue generated from existing customers amounted to approximately HK\$32.9 million, HK\$32.1 million and HK\$7.4 million respectively, accounting for approximately 81.1%, 95.4% and 90.2% of the Group's revenue respectively. In particular, a large part of the aggregate revenue from existing customers is recurring income. For the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013, the recurring income from the Group's existing customers amounted to approximately HK\$17.5 million, HK\$21.4 million and HK\$5.5 million and accounted for approximately 43.2%, 63.6% and 67.0% of the Group's revenue respectively. This indicates the Group's success in continuation of contracts with its existing customers.

2. There is market potential for the Group's existing products

The Directors consider that the recent change in the trading infrastructure stipulated by HKEx (further details of which are set out in the paragraph headed "Transition of trading platform" under the section headed "Industry Overview" of this prospectus) is a major change in the trading infrastructure of HKEx and creates an opportunity for the Group to further expand its market share. The Directors consider that it is more likely for brokers to consider switching to new trading systems under this major change, as they may face various difficulties such as outdated technology or insufficient functionality in their existing systems or other inability to cope with the new trading infrastructure with their existing systems. In particular, for the securities market, terminals and MWS will no longer be supported by the new trading platform after migration in 2015. According to the website of HKEx, HKEx is working on the migration plan for these devices, however no concrete plan had been announced as at the Latest Practicable Date. For the futures market, workstations will no longer be supported by the new trading platform after migration in 2017. According to the website of HKEx, Futures Exchange Participants are advised to consider switching from workstations to OAPI systems as soon as possible. In case no replacement systems are offered by HKEx, brokers who are still using terminals or workstations will be forced to switch from terminals or workstations to trading systems provided by software vendors. According to the Ipsos Report, there were about 338 Stock Exchange Participants using BSSs in 2012. Given that there were 511 Stock Exchange trading participants as at 31 December 2012, it was implied that about 174 Stock Exchange trading participants were not using BSSs. On the other hand, according to the Ipsos Report, it was estimated that there were about 111 Futures Exchange Participants using OAPI systems in 2012. Given that there were 185 Futures Exchange Participants as at 31 December 2012, it was implied that about 74 Futures Exchange Participants were not using OAPI systems. The Ipsos Report forecasts an increase in spending of financial institutes in transitioning and upgrading their trading and settlement systems in order to comply with the transition of trading infrastructure. Estimated customer spending on BSSs will increase from approximately HK\$731 million in 2012 to approximately HK\$1,014 million in 2017, representing a CAGR of approximately 6.8%, while estimated customer spending on OAPI systems will increase from approximately HK\$313 million in 2012 to approximately HK\$445 million in 2017, representing a CAGR of approximately 7.3%.

Moreover, according to the Ipsos Report, there is increasing number of PRC brokerage firms entering the Hong Kong financial market. The Group has successfully obtained business from a number of PRC brokerage firms. Out of the 64 active customers of the Group as at 31 December 2012, 15 are PRC based and most of them are well known financial institutions. The Directors consider that such customers provide a base of referral for the Group to grasp business opportunities from other PRC brokerage firms.

The Directors consider that the above market potential provides business opportunities to the Group. The Group has an established reputation in the market as demonstrated by the fact that the Group ranked the fifth in terms of revenue of financial trading and settlement systems in 2012. In particular, the first three vendors in terms of revenue of financial trading and settlement systems in 2012 are foreign vendors which mainly target brokers of larger size. The Directors believe that those brokers who are still not using BSS or OAPI systems are of smaller size. In addition, the Group has an established customer base with renowned brokers that the Directors believe provide proof of its product quality. The Directors consider that the above provides a competitive strength to the Group to grasp new business opportunities. However, the Directors believe that the Group still has to face competition from other software vendors, in particular the local vendors with similar operation scale with that of the Group.

3. Growth trend has been recorded for the Group's income from lease of software systems and maintenance services

Since the establishment of the Group, the Group's income from both lease of software systems and maintenance services have generally been on an upward trend. For the year ended 31 December 2012, the Group's income from lease of software system recorded a growth of approximately 33.5% while the income from maintenance services recorded a growth of approximately 17.6% compared with the relevant income generated for the year ended 31 December 2011. These two revenue sources amounted to approximately HK\$16.0 million and HK\$20.3 million in aggregate and accounted for approximately 39.5% and 60.4% of the Group's total revenue for the years ended 31 December 2011 and 2012 respectively. Based on the Directors' estimation, the operating costs of the Group for the years ended 31 December 2011 and 2012, principally being staff costs and rental expenses, were approximately HK\$18.4 million and HK\$18.9 million respectively. Therefore, just the revenue from lease of software system and the maintenance services alone could cover the Group's operating costs for the year ended 31 December 2011 and could well cover most of its operating costs for the year ended 31 December 2012. Further, the aggregate revenue from the Group's sales of new sets of software systems, sales of additional modules and system customisation generated from both new and existing customers amounted to approximately HK\$16.6 million, HK\$9.7 million and HK\$2.5 million and accounted for approximately 40.9%, 28.8% and 30.5% of the Group's revenue during the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013 respectively. As additional maintenance fees will be charged to these customers who have purchased new sets of software systems or additional modules or requested for system customisation, it is expected that future growth in maintenance fee of the Group will be resulted.

4. New products in the pipeline

Other than the Group's existing products, there are a number of new products to be launched by the Group. Details of the Group's product launch plan and the intended use of the Listing proceeds for the relevant plan are set out in the paragraph headed "Research and development" under this section. The market potential of such new products are set out in the section headed "Industry Overview" of this prospectus. Based on this, the Directors expect that the new products will expand the revenue base of the Group.

5. The Group has an established client base in the trading and settlement system market

According to the Ipsos Report, the Group had a market share of about 2.4% and ranked the fifth in terms of revenue of trading and settlement systems in 2012. As the Group mainly targets Category B and Category C customers, the Directors believe that the Group's market share in terms of revenue generated from Category B and Category C customers should be even higher. The Group has developed an established customer base with sizeable brokers and banks, including some Hong Kong and PRC based renowned brokers and banks. As at 31 December 2012, the Group's systems were installed at 64 customers. The Directors believe that such a client base provides the best proof of the quality of the Group's products and services, as well as its success in building up its reputation in the financial markets. This could also provide a source of new business for the Group through referrals from existing customers.

The Group mainly targets Category B and Category C brokers and in particular, it is the Group's plan to expand its customer base by targeting Category C brokers. Category C brokers account for the majority of Stock Exchange Participants in terms of number. Other than the top 65 brokers (in terms of market turnover), other brokers belong to Category C. Although the market share of Category B and Category C brokers, being the target customers of the Group, are on a decreasing trend recently (since 2010), the Directors consider that this fact should not have a material impact on the sustainability of the Group's business since (i) the total market share of Category B and Category C brokers have been fluctuating in the past ten years and increase was recorded for some of the years; and (ii) the total number of Category B and Category C brokers showed an increase since 2008, from 464 brokers in 2007 to 536 brokers in 2012. Excluding the 51 Category B brokers, the total number of Category C brokers increased from 413 brokers in 2007 to 485 brokers in 2012. As the Group's revenue is not dependent on its customers' trading volume, the Directors consider that a drop in the customers' market turnover should not have material and direct impact on the Group's business. On the contrary, the increasing number of Category C brokers would create business opportunities to the Group. Category C brokers are facing difficult operating environment such as increase in operating costs due to the tightening of the regulatory environment (the recent change in trading infrastructure of HKEx is a particular example) and the decrease in market share. The Directors consider that such threats faced by Category C brokers offer the Group a chance to grasp market opportunities from them as the Group plans to offer them lower cost trading solution such as the Order Management System.

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Customers

The Group's software systems are mainly targeted at financial institutions, principally brokers and banks, with business in Hong Kong. Over the years, the Group has developed an established customer base with sizeable brokers and banks, including some Hong Kong and PRC based renowned brokers and banks. The customer base comprised 63, 64 and 61 active customers as at 31 December 2011, 31 December 2012 and the Latest Practicable Date respectively. Active customers are those customers which are using the Group's trading software system(s) and have not terminated their contracts with the Group. In the near future, the Group plans to expand its market share by targeting (i) Category C brokers, which to the knowledge of the Directors may not be willing to invest heavily in trading systems; and (ii) local banks, which to the knowledge of the Directors, some are still using older models of trading and settlement systems. Details of such expansion plans are set out in the section headed "Business Objectives and Strategies" of this prospectus.

The following sets out the details of the Group's top five customers during the Track Record Period.

For the year ended 31 December 2011

Customer	Customer group	Principal business	Type of contracts	Year(s) of relationship with the Group (more than)
Customer A	Hong Kong based brokerage firm providing brokerage services	Provision of brokerage services for financial products	Sale of software system, system customisation and maintenance	12
Hong Kong Precious Metals Exchange Limited	Subsidiary of CGSE	Provision of trading platform for bullion	Sale of software system and hardware, lease, system customisation and maintenance	6
Customer C	PRC based brokerage firm providing brokerage services	Provision of brokerage services for financial products	Sale of software systems and hardware	1

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Customer	Customer group	Principal business	Type of contracts	Year(s) of relationship with the Group (more than)
Customer D	Hong Kong based bank providing general banking services	Provision of personal banking, asset management, corporate banking services	Sale of software systems, system customisation and maintenance	7
Customer E	PRC based brokerage firm providing brokerage service	Provision of brokerage services for financial products	Sale of software system and hardware, lease and maintenance	3

For the year ended 31 December 2012

Customer	Customer group	Principal business	Type of contracts	Year(s) of relationship with the Group (more than)
Hong Kong Precious Metals Exchange Limited	Subsidiary of CGSE	Provision of trading platform for bullion	Sale of hardware, lease, system customisation and maintenance	6
Customer F	PRC based brokerage firm providing brokerage services	Provision of brokerage services for financial products	Sale of software system, system customisation and maintenance	4
Customer G	PRC based brokerage firm providing brokerage services	Provision of brokerage services for financial products	Sale of software system, system customisation and maintenance	11

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Customer	Customer group	Principal business	Type of contracts	Year(s) of relationship with the Group (more than)
Customer E	PRC based brokerage firm providing brokerage service	Provision of brokerage services for financial products	Sale of software system and hardware, lease, system customisation and maintenance	3
Customer D	Hong Kong based bank providing general banking services	Provision of personal banking, asset management, corporate banking services	Sale of software system, system customisation and maintenance	7

For the three months ended 31 March 2013

Customer	Customer group	Principal business	Type of contracts	Year(s) of relationship with the Group (more than)
Hong Kong Precious Metals Exchange Limited	Subsidiary of CGSE	Provision of trading platform for bullion	Lease, system customisation and maintenance	6
Customer D	Hong Kong based bank providing general banking services	Provision of personal banking, asset management, corporate banking services	Sale of software system and maintenance	6
Customer H	PRC based brokerage firm providing brokerage services	Provision of brokerage services for financial products	Sale of software system	Less than one year

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Customer	Customer group	Principal business	Type of contracts	Year(s) of relationship with the Group (more than)
Customer F	PRC based brokerage firm providing brokerage services	Provision of brokerage services for financial products	System customisation and maintenance	4
Customer I	Hong Kong based brokerage firm providing brokerage services	Provision of brokerage services for financial products	Maintenance	7

The Group is not dependent on any single customer. For the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013, the five largest customers accounted for approximately 24.7%, 35.6% and 36.6% of the Group's revenue respectively while the largest customer accounted for approximately 6.1%, 13.2% and 14.2% of the Group's revenue respectively. None of the Directors or their respective associates or any Shareholder holding more than 5% of the issued capital of the Company immediately following completion of the Placing and the Capitalisation Issue held any interest in any of the five largest customers of the Group as at the Latest Practicable Date. The Directors consider that the Group has an established relationship with its customers. For those customers who have purchased the Group's software systems, all of them have subscribed for the maintenance services of the Group and some of them have subsequently requested for additional modules of the software systems or customisations to be provided by the Group.

As illustrated in the above table, the Group's major customers were mainly banks and brokerage firms during the Track Record Period. Revenue of customers in relation to their provision of brokerage services is commission-based and exposed to fluctuation in market condition and trading volume. The Directors believe that the recent trend of customers opting for lease of software systems reflected their preference for more distributed payments over a longer term under the current situation of sluggish market growth. The Directors are of the view that new customers will show preference for lease of software systems if the market condition persists going forward.

The Directors are not aware of any existing customers experiencing financial difficulties as the aging analysis of trade receivables, as set out in the sub-paragraph headed "Trade and other receivables" in the paragraph headed "Analysis of various items from the statements of financial position" under the section headed "Financial Information" of this prospectus, shows that the trade receivables aging between 0–60 days accounted for a major portion of the Group's trade receivables. Up to 31 August 2013, approximately 93.4% of the trade receivables as at 31 March 2013 were subsequently settled. Details of the Group's credit risk management are set out in the paragraph headed "Credit risk management" in the paragraph headed "Internal control" under this section.

Major contract terms and conditions

The Group enters into sale, lease or maintenance service contracts of software system with its customers. Contract terms and conditions are standard in most cases, with few customers requesting to adopt their versions of contract. Major contractual terms that are contained in the standard contracts are summarised below:

Contract for sale of software systems

Installments: The customer shall pay the consideration by installments according to the payment schedule as specified in the contract

Intellectual property rights: The customer should acknowledge that all elements, components in the software system together with the relevant documentations shall remain the property of the Group and all intellectual property rights and other proprietary rights embodied shall vest in the Group

Defects warranty period: The Group shall be responsible for a period (the “Defects Warranty Period”) commencing from the date of acceptance, without charge to the customer, for rectifying or repairing any defects or errors in the software system within a specified timeframe. The duration is subject to negotiation with the customer. The average length of the Defects Warranty Period during the Track Record Period was about two months and free upgrade is provided during the Defects Warranty Period

Other liability: The customer shall be responsible for all consequences of the use of the Group’s software system and the Group shall not be liable for any indirect or consequential loss, damage, cost or expense by reason of or in connection with the Group’s software system, the use of it or any related services provided by the Group except for the following:

- (1) the Group shall be liable for rectification of any defects or errors in the software which are not caused by the negligence of the customer during the Defects Warranty Period;
- (2) the Group shall be liable to hold the customer free of any liability from any claim of alleged infringement of intellectual property rights or any other rights of any third party provided the Group has sole control of the negotiations of the defense of such claim;

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- (3) any other circumstances where the above liability and exclusion clause is held unenforceable in accordance with the applicable laws and statutes in Hong Kong.

The Group's entire aggregate liability in the above circumstances shall not exceed the total fees of the contract or any part thereof paid by the customer.

Termination: Should either the Group or the customer commit any breach or material breach, and fails to remedy upon written notice when applicable, the contract may be terminated by one party with immediate notice to the other party

Contract for lease of software systems

Term of service: Minimum contract period is between 12 to 24 months. The customer shall pay for the remaining monthly charges to the Group if there is early termination by the customer

Deposit: Deposit equivalent to 3 months' monthly charges shall be paid by the customer to the Group upon signing of the quotation

Free upgrade: The provision of free-upgrade services due to mandatory changes as required by HKEx and the SFC is not a standard contract term. It has been a general understanding between the Group and its customers that such free upgrade is included. Some customers requested the Group to include such clause in the agreements. Starting from the second half of 2013, the Group will incorporate the free upgrade as one of the standard contract terms for contracts of lease of software systems

Payment terms: Monthly payment shall be made on the first day of each calendar month, the first and last of such payments to be apportioned according to the number of days in the month included in the term as stipulated under the quotation

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Liability: The Group excludes all liabilities to the customer or any loss suffered in connection with the license of the Group's software or services described in the quotation, except for any other circumstances where the above liability and exclusion clause is held unenforceable in accordance with the applicable laws and statutes in Hong Kong. In such event, the Group's entire aggregate liability shall not exceed the total cost of the quotation or any part thereof paid by the customer

Termination: Starting from April 2013, a termination clause is generally included in the Group's standard lease contract, which provides that the lease contract shall be renewed automatically for 12 months unless the customer serves the Group a termination notice 3 months prior to the end of its term. Prior to April 2013, in general there was no specific termination clause included in the lease contract save for certain cases.

Maintenance service contract (the terms for the Group's maintenance service are usually contained in the contract for sale of software systems and system customisation)

Term of service: In most cases, the term lasts for 1 year starting from the expiry of Defects Warranty Period

Starting from March 2013, a clause is generally included in the Group's maintenance contract, which provides that the maintenance contract shall be renewed automatically for one year after end of each term unless the customer serves the Group a termination notice prior to the end of a term

Scope of services: The Group shall provide telephone advice and assistance, on-site support if necessary and maintenance services in case of any occurrence of error or other problem relating to the Group's software system within specified timeframe as stipulated in the contract; the Group shall also provide free upgrade to customers to cope with changes induced by HKEx and the SFC

Payment terms and coverage: Maintenance fee shall be paid monthly to annually, in most cases, by the customer in advance of the first day of the relevant period

Maintenance work under certain circumstances as set out in the agreement are not covered by the maintenance fee and shall be charged separately

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Hosting service contract

Term of services:	The initial contract period is 24 months. The customer shall pay for the remaining monthly charges to the Group if there is early termination by the customer
Deposit:	Deposit equivalent to 3 months' monthly charges shall be paid by the customer to the Group upon signing of the quotation
Payment terms:	Monthly payment shall be made on the first day of each calendar month, the first and last of such payments to be apportioned according to the number of days in the month included in the term as stipulated under the quotation
Liability:	The Group excludes all liabilities to the customer or any loss suffered in connection with the services described in the quotation, except for any other circumstances where the liability and exclusion clause is held unenforceable in accordance with the applicable laws and statutes in Hong Kong. In such event, the Group's entire aggregate liability in this regard shall not exceed the total cost of the quotation or any part thereof paid by the customer. As such, customers subscribe to the Group's hosting services at their own risk. Neither the Group nor the data centre provider shall be liable or responsible in the event of damage or loss with respect to the customer's hardware, data and software
Termination:	The deposit shall be refunded to customer without interest within 30 days after termination or earlier determination of the agreement

Marketing

During the Track Record Period, the Group did not maintain a sizeable sales and marketing team or organise regular advertising activities, and the Group did not devote substantial resources in marketing and advertising campaigns owing to its limited budget for marketing activities. The Directors consider that the Group attracts new customers mainly through its reputation and established customer base. Since the Group's software systems can be customised to meet the specific requirements of each customer, the Directors consider pitching the target customers by its business development team to be the most effective alternative for promoting the Group's products and services. Going forward, the Group plans to adopt a more pro-active approach in marketing, details of which are set out under the section headed "Business Objectives and Strategies" of this prospectus. The Directors believe that those marketing strategies will allow its existing or potential customers to get a better understanding of the Group's products, in particular the new products to be launched, and help the Group expand its customer base.

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As at the Latest Practicable Date, the Group's business development team comprised 3 staff. The business development team is headed by Mr. Wong, the business development director who has over 10 years' working experience in the financial information technology industry. Further details of his biographical information are set out in the section headed "Directors, Senior Management and Staff" of this prospectus. This team, together with the management and the development team of the Group, are responsible for pitching to potential customers to explore business opportunities and to maintain on-going relationships with existing customers.

The marketing objectives of the Group include attracting new customers, introducing additional or new software systems to its existing customers, and fostering the Group's reputation and image in the financial institution software solution industry. The Group seeks to achieve these objectives through a combination of pitching and limited marketing events.

The Directors consider that maintaining on-going relationships with existing customers is at least as important as developing business relationships with new customer. Apart from providing maintenance services to its existing customers, the Group also maintains regular contact with its existing customers in purpose of keeping abreast of their latest needs and market trends, and offering additional products or services. The market information obtained from the customers also provides insights for the Group to develop new products. In addition, the establishment of a good relationship with existing customers can provide an opportunity for referral of new customers.

To a lesser extent, the Group conducts certain marketing activities, such as joining exhibitions and seminars, joint promotion with hardware vendors, etc..

The Directors consider that quality after-sales services are also critical for customers' satisfaction and recurrent business. As a result, the Group provides maintenance services with prompt response to customers, details of which are set out in the paragraph headed "Products and services" under this section. As at the Latest Practicable Date, the customer service team and support team of the Group comprised 7 members who act as the principal contact points for the existing customers who have queries or problems in using the Group's products. If necessary, the queries or problems will be forwarded to other IT staff for follow up.

As recurring income, in particular revenue from lease of software systems and maintenance services, accounted for a significant portion of the Group's total income, the Group will continue to adopt the following strategies to ensure the continuation of the contracts: (i) maintaining on-going relationship with the existing customers; (ii) offering quality services; and (iii) upgrading its software systems to cope with the latest change in trading rules and regulations and infrastructure in the financial markets. The Directors believe that quality of products and services are keys to retain its customers, as well as securing new customers.

COMPETITION

Currently, the Group's principal products are trading and settlement systems. According to the Ipsos Report, the trading and settlement system industry was fragmented and competitive, with most of the players accounting for less than about 2.0% of the market share in 2012 and the top five market players contributed about 52.4% of the total market share in 2012.

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As at December 2012, there were about 31 vendors in Hong Kong offering BSSs or OAPI systems on the HKEx List. Among the 31 vendors, 19, 10 and 2 were local, foreign and PRC vendors respectively.

As the Group mainly targets local banks and Category B and Category C brokers in Hong Kong, the Directors consider that the Group faces more direct competition from local vendors than foreign vendors as the foreign vendors generally target Category A and Category B brokers and their software systems offered are much more costly. On the other hand, the local vendors are generally more familiar with the financial markets in Hong Kong.

Apart from competition from local vendors, the Directors consider that the Group is also facing increasing competition from the PRC vendors. According to the Ipsos Report, it is expected that more PRC vendors will enter the market due to the increase in PRC brokerage firms operating in Hong Kong. These vendors enjoy abundant and less expensive labour in the PRC, thus driving down the cost of software development and are able to compete with price cutting strategies. Their familiarity with the operation and culture of brokers from the PRC also presents a competitive advantage in capturing market of the PRC brokers which operate brokerage business in Hong Kong. On the other hand, the Directors consider that the PRC vendors have less exposure among brokers in Hong Kong and their reputation is not firmly established. As a local vendor, the Group possesses necessary domain knowledge and has accumulated experiences in the local financial market, which could therefore secure its competitive edge to face the challenges from the PRC vendors.

The Directors are of the opinion that the competition in the industry will be increasingly keen in the coming years because of the transition to new trading platforms, from OG to OCG for linkage to AMS/3 and from NG to CG for linkage to the new Genium INET platform. As set out in the paragraph headed “Principal competitive strengths” under this section, the Directors consider that the Group has achieved a competitive position in the trading and settlement system market with competitive advantages over its competitors. According to the Ipsos Report, the Group had a market share of about 2.4% and ranked the fifth in terms of revenue of trading and settlement software systems in 2012.

For further discussion of the competitive landscape of the trading and settlement software system industry, please refer to the section headed “Industry Overview” of this prospectus. For further discussion on the risks associated with the competition the Group faces, please refer to the paragraph headed “If the Group fails to compete with its competitors, its potential for expansion and profitability would be adversely affected” under the section headed “Risk Factors” of this prospectus.

QUALITY CONTROL

The Directors believe that product quality is important to the Group’s reputation and further development. Currently, the quality control works are handled by the development team and the quality assurance team of the Group. The Group has set up a quality assurance team which is responsible for running various tests on the Securities Back Office System and Futures Back Office System in accordance with a standard checklist. As at the Latest Practicable Date, the quality assurance team consisted of 3 members, and was led by a quality assurance manager who has a degree in the Bachelor of Science in Computer Science and Software Engineering and a postgraduate diploma in software engineering. The quality assurance manager has joined the Group for over 12 years, with more than 16 years of experience in software development and support. The quality assurance manager is supported by 2 other members, who are either degree or diploma holders, both with over 2 years of relevant industry experience. For the Group’s Securities Front Office System and Futures Front Office System, the Group assists the customers in the market rehearsal arranged by HKEx to conduct testing on server and system connectivity. For

modification/customisation of its Securities Front Office System and Futures Front Office System, testing works are handled by the development team of the Group. Firstly, the Group conducts tests on an individual basis. Then the Group may conduct integration test of software systems in case the modification/customisation works affect various part of the software systems. For the Forex and Bullion Front and Back Office Systems which do not connect to any exchange, products will be tested internally prior to delivery to the customers. If there is any defect in any of the above-mentioned tests, the product will be returned to the development team for rectification. After the products are installed, a user acceptance test will be conducted on the Group's products. The customers will then sign the user acceptance test form to acknowledge their acceptance that the software system meets its functional specifications and performance requirements.

During the Track Record Period, there were no return of the Group's software products from the customers or material defects or errors in the Group's software products as reported by the customers. For the sale of software products, the contracts with the customers do not provide any product return rights to the customers. Any defects or errors found are handled by providing bug fixing upgrades of the software systems to the customers. During the Track Record Period and up to the Latest Practicable Date, there were no material complaints or product liability claims by the customers. For the Group's sale of hardware, the Group does not conduct quality control on the hardware purchased. The warranty is given by the suppliers or manufacturers of the hardware.

INTERNAL CONTROL

The Directors are responsible for the effectiveness of the Group's internal control and risk management system, which is designed to provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

On 8 November 2012, the Group appointed an independent internal control consultant (the "Consultant"), CT Partners Consultants Limited, to perform a detailed evaluation under the COSO framework of the adequacy and effectiveness of the Group's internal control system including the areas of financial, operational, compliance and risk management. The Consultant has been appointed as an internal control consultant by a number of listed companies. The Consultant has made certain recommendations including compiling and adopting a comprehensive staff handbook, internal control manual and compliance manual in relation to the internal control practices and procedures of the Group.

Internal control measures to monitor the development, sale and lease of financial trading software solutions business

The Group has detailed manuals governing the procedures for development, sale and lease of financial trading software solutions business. The Group's staff are required to adhere strictly to the Group's staff handbook, internal control manual and compliance manual. Below sets out some of the Group's significant internal control measures in connection with its business.

Sales procedure

During preparation of, and prior to issue quotations, the Group will commence preliminary work such as understanding the customer's request and requirements, meeting the customers, estimating the number of man-days required, and the management of the Group will review the quotations.

The Group will take into account of various factors, including the existing capacity, progress of planned works and flexibility of work requested by the customers. The Group's business development department is responsible for preparing the quotation or sales agreement for each transaction. A unique quotation number is assigned to each quotation and the detailed scope of services or systems to be provided is also stated on the quotation. The Group will offer the standard price with certain discount which is variable subject to the negotiation with customers. The final offered price is required to be confirmed by the chief operation officer or chief technology officer of the Group. Only the chief operation officer or chief technology officer can confirm the terms and conditions and sign on all the quotations issued to the customers.

Project development procedure

Upon receiving signed quotations, the management will form a project team led by a project manager. The project manager will prepare project schedule, client log sheets and detailed project plan including formulating detailed works programme, procurement of hardware, delegation of works and coordination with the Group's customers according to the scope of services agreed with the customers. All works pertaining to the project will conform to the project plan and recorded on the respective records.

Once the works are completed in accordance with the project plan and requirements of the customers, an acceptance form and delivery note are to be signed by the customers' representative. The chief technology officer or project manager is responsible for ensuring the systems and services listed on the signed quotations are delivered and provided to the customers.

Quality control

As to meeting the customers' requirements, the Group has established quality assurance department to develop a sustainable performance-oriented culture with an emphasis on pursuing continuous improvement rather than adopting a short-term and project based approach. To ensure that the Group's systems meet its customers' requirements without deficiency, the Group performs testing on the trading system before deploying to the customers. Quality assurance manager has been appointed to ensure that the trading systems meet the required standard and quality.

Research and development

The Group has set up research and development team to improve the existing products and to develop new products. All but one team members are degree holders, mainly majoring in computer science, information engineering or computer related subjects. Apart from relevant technological academic background and working experience, the development team members have to acquire knowledge in different financial products, operations of financial institutions, continuous changes in the trading rules and regulations and architecture in the financial markets. In order to ensure that the development team members will continue to acquire relevant industry knowledge, the staff will attend relevant training courses and seminars with respective attendance record. The updated information and training materials will be circulated to the staff of the development team.

Financial reporting procedure

The Group's finance department carries out treasury function by monitoring the operating cashflow of the Group. The finance manager and assistant accountant are responsible for the proper

maintenance of the accounting records of the Group. All data and supporting of transactions having monetary and accounting nature will be properly collected, classified, recorded and posted in books of accounts in compliance with the current accounting standards, the GEM Listing Rules and other applicable regulatory and statutory requirements.

(i) Monthly reporting

The assistant accountant prepares the monthly consolidated financial statements which are reviewed by the finance manager. All consolidated financial statements are reviewed and approved by the management of the Group.

(ii) Annual budget

Annual budget has been prepared by the Group's finance, sales and human resources department, which is reviewed on a semi-annual basis and all material variance is reported by the finance manager and reviewed by management of the Group. The budget provides a forecast of revenues and expenditures, that is, constructing a model of how the Group might perform financially if certain strategies, events and plans are carried out. It also enables the actual financial operation of the business to be measured against the forecast.

(iii) Monthly accounts receivable monitoring

Accounts receivable aging report is reviewed by the finance manager and the chief operation officer on a monthly basis. Where the accounts receivable balances are unsettled within the agreed credit terms, it will be classified as overdue. The accounts receivable aging report will be extracted from the accounting system which categorises unpaid invoices into ages of 0 to 60 days, 61 to 90 days, 91 to 120 days and over 120 days.

(iv) Collection procedure

The Group will issue first reminder and second reminder for the accounts receivable overdue more than 60 days and 90 days respectively. The reminder will be signed by the management or finance manager. The chief operation officer will make phone calls to the customer to understand the situation and reasons for late payments. If there is no response after the follow-up action, the case will be referred to lawyers for further handling. In case of write-off or provision for bad debt is required, provision for bad debt or written off will be approved by the management of the Group.

(v) Review on journal entries

The assistant accountant is responsible for preparing journal entries before each period-end. The finance manager will review all the journal entries for accuracy and proper classification of accounts. The management will also perform sample check on the journal entries with relevant supporting documents to ensure the reliability of the financial reports.

Information technology

The Group's support team is responsible for implementing the Group's IT policy to ensure effective protection and proper usage of the computer systems and to prevent infringement of third parties' copyrights. Contraventions of the IT policy are not allowed within the Group. Only the support

team is able to purchase, install, configure and support the software and software applications. The team also maintains a software licence register and performs periodic inspection on software for license to ensure the validity and the systems are complied with legislations.

Adequacy and effectiveness of internal control system

To address the internal control improvement areas identified by the Consultant, the Group has implemented measures to improve the internal control, and intends to continue to monitor, test and enhance the Group’s internal control system. Since March 2013, Ms. Law Hau Yan, the Group’s finance manager has been responsible for implementing the controls. Ms. Law is a member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants. She graduated with a bachelor’s degree in applied accounting from Oxford Brookes University, the United Kingdom, in January 2008. She has about 10 years of audit experience. Prior to joining the Group, she was the senior accountant of an international accounting firm, mainly responsible for performing pre-IPO internal control review and corporate governance review for listed companies in Hong Kong and setting up company policies and procedures for clients. In addition, the Group has appointed a compliance adviser to advise it on matters relating to the GEM Listing Rules. Please refer to the paragraph headed “Compliance adviser” under the section headed “Directors, Senior Management and Staff” of this prospectus. The Directors are of the view that the Group’s internal control measures are sufficient and adequate to ensure compliance with the GEM Listing Rules and all applicable laws and regulations, and the Sponsor concurs with the Directors’ view.

Findings of the Consultant

The Consultant conducted a comprehensive review on the Group’s operations and management, including but not limited to, the Group’s corporate governance, internal control, risk management, information disclosure and accounting and financing management. The Consultant provided recommendations on the internal control review. During January to March 2013, the Group has taken immediate remedial measures and enhanced its risk management and internal control system in response to the recommendations. The following table sets out the key recommendations of the Consultant and the corresponding remedial measures taken by the Group.

Recommendations of the Consultant	Measures taken by the Group
<ul style="list-style-type: none"> • Insider trading and reporting of misconduct should be included in the internal control manual. 	<ul style="list-style-type: none"> • Internal control manual has been prepared including the insider trading and reporting of misconduct.
<ul style="list-style-type: none"> • Formal plan and document should be prepared for identifying the significant risks for each business objective. 	<ul style="list-style-type: none"> • Formal plan and document has been prepared for identifying the significant risks for each business objective.
<ul style="list-style-type: none"> • An internal control manual regarding the whistleblower program, including communications with other departments and business units should be set up. 	<ul style="list-style-type: none"> • An internal control manual regarding the whistleblower program, including communications with other departments and business units has been prepared.

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Recommendations of the Consultant

- The Group may consider setting up an internal audit department or outsourcing the function to external consultant to plan and organise internal audit work.
- The Group should remind the staff in project development to update the working schedules and obtain evidence of completing and acknowledgment from customers.
- In order to maintain high quality of products provided to the customers, all software system should be tested by the quality assurance department before deploying to the customers.

Measures taken by the Group

- Ms. Law Hau Yan, the Group's finance manager, has been appointed to implement and enhance the Groups' internal control.
- The staff in project development have updated the working schedules and obtained evidence of completing and acknowledgment from customers.
- All software system will be tested by the quality assurance department before deploying to the customers.

None of these findings has resulted in any material adverse effect on the Group's financial condition or results of operations. According to the result of the follow up review by the Consultant on 15 March 2013, the Group had implemented measures and ratified deficiencies as recommended by the Consultant.

Risk management

The Directors have confirmed that during the ordinary course of the Group's development, sale and lease of financial trading software solution business, the Group is primarily exposed to (i) control risks relating to the Group's overall monitoring system; (ii) regulatory risks in relation to the Group's business; (iii) operational risks in relation to the Group's business; (iv) credit risks relating to accounts receivable; and (v) market risks.

In the past, the Group did not have detailed written policies for its internal control and risk management. In order to continuously improve the Group's internal control and risk management system in the future, the Group has established an on-going process for identifying, evaluating and managing the significant risks faced by the Group. The key procedures that the Group has established and implemented are summarised as follows:

- (i) segregating duties and functions of the respective operational departments of the Group;
- (ii) monitoring the budget and financial performance;
- (iii) reviewing systems and procedures to identify, measure, manage and control risks including reputation, legal, credit, market and operational risks;
- (iv) handling price-sensitive information by setting out the procedures and policies; and

- (v) updating the staff handbook, internal control manual and compliance manual when there are changes to business environment or regulatory guidelines.

The Directors have confirmed that during the years ended 31 December 2011 and 2012, save as disclosed in this prospectus, no material failure occurred and the Directors are of the view that the Group's internal control and risk management system are sufficient and effective.

The following sets out the key risks of the Group's business and the mitigating internal control procedures thereof:

Control risk management

Control risk including the risks of inappropriate and inconsistent adaptation of practices, failure to detect unethical behaviours, wrong doings or potential frauds and unauthorised access to confidential information that a material misstatement could occur and will not be prevented or detected and corrected on a timely basis by the Group's internal control system. In order to mitigate such risk, the Group has established comprehensive staff handbook, internal control manual and compliance manual which shall be observed by directors and employees of the Group. Each department shall be responsible for making all relevant staff aware of the abovementioned manuals and for ensuring compliance with their respective principles.

Regulatory risk management

Upon Listing, the Group will be exposed to the risks of non-compliance with the applicable laws and the GEM Listing Rules in effect from time to time. The Group has appointed Mr. Li as the compliance officer who is responsible for updating the context of compliance manual at least annually and distributing to all directors and employees of the Group about any amendments to the GEM Listing Rules.

All directors and employees of the Group are required to acknowledge their understanding of the staff handbook, internal control manual and compliance manual at least annually. The Group will also retain a legal advisor to advise it on compliance with applicable Hong Kong laws and regulations and a compliance advisor to advise the Group on compliance with the GEM Listing Rules.

Operational risk management

The project managers of the Group are responsible for monitoring the operation and assessing the operational risks of their respective projects. They are responsible for implementing the Group's risk management policies and procedures. Project managers will report any irregularities in connection with the operation of the projects to the Directors and seek for directions.

The Group emphasises on ethical value and prevention of fraud and bribery. The Group has established whistleblower program, including communication with other department and business units, to report any irregularities since March 2013.

Credit risk management

The Group is exposed to credit risks which will cause a financial loss to the Group due to failure to discharge the payment obligation by the counterparties. In order to minimise the credit risks, the Group has written policy and procedures for determination of credit limits, credit approvals and other monitoring procedures.

The grant of credit period will take account of certain factors including history of transactions of the relevant customers with the Group, reputation and financial backgrounds of the customers. List of customer credit terms is approved by the chief operation officer of the Group. The management will reassess the credit terms if the customer does not repay in accordance with the credit term or applies for longer credit period. The management may grant an extended credit term after considering the repayment history, background of customers, etc. Management reviews customers' credit terms on a monthly basis to ensure that the default risk of customers is monitored.

Accounts receivable aging report is reviewed by the finance manager and the chief operation officer on a monthly basis. Where the accounts receivable balances are unsettled within the agreed credit terms, it will be classified as overdue; the Group will issue first reminder and second reminder for the accounts receivable overdue more than 60 days and 90 days respectively. The chief operation officer will contact the customer to understand the situation and reasons for late payments. If there is no response after the follow-up action, the case will be referred to lawyers for further handling. In case that write-off or provision for bad debt is required, provision for bad debt or written off will be approved by the management.

Market risk management

The Group is exposed to general market risks related to changes in macroeconomic environment and movements in market variables such as gross domestic product, interest rates, and other market changes. The Directors are responsible for monitoring activities in the market to identify and assess the potential risks and from time to time formulate policies to mitigate these market risks.

INTELLECTUAL PROPERTY RIGHTS

The Group relies on a combination of confidentiality procedures and contractual provisions with its staff and customers to protect its intellectual property rights.

Customers

Only the software files encoded in computer-readable form for the sole purpose of installation will be provided to the Group's customers. Human-readable source codes for the software written and developed by the Group will not be provided to the Group's customers. As confirmed and advised by the Directors, it is difficult and takes a considerable time to convert the software files encoded in computer-readable form into human-readable source codes even with the relevant technical expertise. Given the nature of the Group's customers which are principally financial institutions such as brokers and banks, the Directors advised that it is unlikely that the Group's customers will take such time and effort to convert the software files provided by the Group into source codes and it is unlikely that the Group's customers will possess such relevant technical expertise.

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In addition to the above, to further protect the Group's intellectual property, most of the customers which purchase software from the Group are required to execute a standard sales contract with the Group, which includes a clause stating that all elements and components in the software provided by the Group to the customer, including but not limited to the source code and the relevant documentation of the software provided by the Group, shall remain as the Group's property and all intellectual property rights embodied in and related to the software provided by the Group shall vest in the Group, and that the customers agree and undertake to keep confidential of the business, affairs and trade secrets of the Group which are confidential and proprietary to the Group, including but not limited to contents of the software.

Employees

As advised by the Directors, all employees of the Group are required to execute a standard employment contract acknowledging the Group's policies concerning business conduct, confidentiality and restrictions in the execution of duties. Such policies include the requirements that:

- the intellectual property rights in all works, materials or designs originated, written or made by any employee of the Group during the course of his or her employment with the Group (the "Materials") shall vest in and remain the sole and exclusive property of the Group;
- to the extent that any intellectual property rights in the Materials do not vest in the Group, the relevant employee of the Group shall, upon demand by the Group, assign or transfer at a nominal value all such intellectual property rights to the Group; and
- the employees of the Group shall not use, divulge or communicate to any person any of the trade secrets or other confidential information relating to the business and operation of the Group or its customers of which he or she may have come to possess during his or her employment with the Group.

During the development of the software of the Group, certain employees will have access to the source codes of the software. In order to ensure that only employees who are responsible for development of such software may have access, the source codes are protected by a source code management tool with permission setting controls for each user such that the access to the source code by the Group's staff is limited.

During the Track Record Period and up to the Latest Practicable Date, the Group had not experienced and had not been aware of any infringement of its technology suffered by the Group.

In view of aforementioned (1) measures in protection of source codes from the Group's customers; (2) contractual provisions entered into with the Group's customers; (3) contractual provisions entered into with the Group's employees; (4) source code management tool for the employees; and (5) the fact that the Group had not experienced and had not been aware of any infringement of its technology suffered by the Group during the Track Record Period and as at the Latest Practicable Date, the Directors consider that the current level of intellectual property rights protection is sufficient for the Group's products.

The Group has not patented and does not have plans to patent any of its designs and products as the Directors consider that the Group's products will not be considered as a patentable invention according to the applicable laws and regulations in Hong Kong.

BUSINESS

As confirmed by the Directors, as at the Latest Practicable Date, there had been no claim against the Group in respect of infringement of intellectual property rights of any third party and the Group had not suffered any substantial loss on system failure, viruses or deliberate attack, and system interruptions in the course of its business.

As at the Latest Practicable Date, the Group owned 5 trademarks registered in Hong Kong and in Macau and had 4 registered domain names. For details of such trademarks and domain names, please refer to the paragraph headed “Intellectual property rights of the Group” in Appendix IV to this prospectus.

PRODUCT LIABILITY

The Group’s software systems undergo established quality assurance procedures and testing before final acceptance by the customers. The Directors consider that the chance of material defects occurring in the Group’s products and services after their respective launch is low and the exposure to potential compensation claims from the Group’s customers is unlikely. During the Track Record Period, the Group had not experienced any third party liability claim in relation to its products.

In addition, the Group’s contracts with its customers contain provisions which disclaim the Group’s liability for all consequences of the use of its products and in no event that the Group shall be liable for any indirect or consequential loss, damage or cost of any kind suffered or incurred by the customers by reason of or in connection with the Group’s product, the usage of it or any related services provided by the Group. Subject to the aforesaid, the Group’s aggregate liability shall not exceed the value of the contract or quotation.

In view of the above, the Group has not taken out any product liability insurance policy in relation to the products it offers. As advised by the Directors, it is not the industry norm to take out such product liability insurance policy. Please refer to the paragraph headed “The Group has limited insurance coverage and may be subject to potential product liability claim” under the section headed “Risk Factors” of this prospectus.

INSURANCE

The Group has purchased various insurance comprising employees’ compensation insurance, medical insurance and group life insurance for its staff. Other than that, the Group has not purchased any insurance for its operations. Based on its mode of operation, and the fact that the Group’s contracts with its customers contain provisions which disclaim the Group’s product liability as mentioned above, the Directors consider that the Group has maintained adequate insurance coverage for its current scale of operation.

PROPERTIES

The Group does not own any property and has leased an office premises. The office leased in Hong Kong consists of a gross floor area of approximately 5,093 square feet of office space and is located at 23/F., W Square, 314–324 Hennessy Road, Wanchai, Hong Kong. The landlord of the premises is an Independent Third Party. The rental agreement is for a term from 4 February 2011 to 3 February 2014 with a monthly rental of approximately HK\$153,000 (exclusive of management fees, government rates, air-conditioning charges and other utility charges).

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The relevant consent of the mortgagee for the grant of such tenancy has not been obtained. The Group tried to obtain the authorisation from the landlord so that the Group could make the request to the relevant bank for the consent directly. However, the landlord rejected the Group's request. The lack of mortgagee's consent may result in the mortgagee obtaining possession of the property with the Group having no security of tenure as against the mortgagee. In view of the easy relocation of the said office to alternate premises and the Directors' estimation of the cost of re-location (if any) to be less than approximately HK\$200,000, the Directors do not anticipate any relocation of such office to have any material potential operational and financial impact on the Group. The Controlling Shareholders have entered into a deed of indemnity to indemnify the Group for all relocation costs, loss of profit and business, penalties and fines and all losses and damages which may be suffered by the Group as a result of any relocation due to the non-obtaining of the mortgagee's consent.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

As at the Latest Practicable Date, the Directors confirm that neither the Company nor any of its subsidiaries were aware of any litigation, arbitration proceedings or claim of material importance pending or threatening against the Company or any of its subsidiaries or any of the Directors, that would have material adverse effect on the Group's financial condition or operation.

Non-compliance under Companies Ordinance

One of the Group companies, iAsia (BVI), had inadvertently breached certain sections of the Companies Ordinance, details of which are set out below:

Item(s) of non-compliance	Particulars of the non-compliance	Cause for the non-compliance	Remedial actions	Estimated fine (Note 1)	Statutory provisions made for any potential fine	Seriousness of Non-compliance incident
Non-compliance with section 334 of the Companies Ordinance	Late filing in relation to annual return dated 6 June 2010	It was principally due to the inadvertent oversight of the then responsible staff appointed by iAsia (BVI)	Filing was subsequently made on 20 July 2010	iAsia (BVI) is liable to an aggregate fine of around HK\$3,060	Section 340 of the Companies Ordinance imposes a principle fine and a daily default fine	No material impact on the operations or financial positions of the Group

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Item(s) of non-compliance	Particulars of the non-compliance	Cause for the non-compliance	Remedial actions	Estimated fine (Note 1)	Statutory provisions made for any potential fine	Seriousness of Non-compliance incident
Non-compliance with the then section 335 of the Companies Ordinance	Late filing in relation to change of particulars of the authorised representatives dated 15 May 2002 and change of particulars of the directors dated 15 May 2002	It was principally due to the inadvertent oversight of the then responsible staff appointed by iAsia (BVI)	Filings were subsequently made on 12 June 2002	N/A (Note 2)	Section 340 of the Companies Ordinance imposes a principle fine and a daily default fine	No material impact on the operations or financial positions of the Group
Non-compliance with section 335 of the Companies Ordinance	Late filing in relation to change of particulars of the authorised representative with effect from 1 January 2012	It was principally due to the inadvertent oversight of the then responsible staff appointed by iAsia (BVI)	Filing was subsequently made on 6 February 2013	iAsia (BVI) is liable to an aggregate fine of around HK\$14,130	Section 340 of the Companies Ordinance imposes a principle fine and a daily default fine	No material impact on the operations or financial positions of the Group
Non-compliance with section 334 of the Companies Ordinance	Omission to state the details of the authorised representative in the annual returns for the years 2009, 2010, 2011 and 2012	It was principally due to the inadvertent oversight of the then responsible staff appointed by iAsia (BVI)	Filings of amended Annual Returns for the years 2009, 2010, 2011 and 2012 were made on 6 February 2013	iAsia (BVI) is liable to an aggregate fine of around HK\$104,520	Section 340 of the Companies Ordinance imposes a principle fine and a daily default fine	No material impact on the operations or financial positions of the Group

Notes:

- (1) The respective amounts as estimated by the Legal Counsel of the Company taking into account the relevant statutory provisions and the case law.
- (2) As advised by the Legal Counsel of the Company, such non-compliance can no longer be prosecuted as the time limit of 3 years to lay information or complaint relating to an offence under the Companies Ordinance pursuant to section 351A of the Companies Ordinance has already passed.

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The Legal Counsel has been engaged by the Company for the purposes of, among others, advising on the above incidents of non-compliance with Companies Ordinance by iAsia (BVI)¹. As advised by the Legal Counsel of the Company, the estimated fines of the above non-compliances are expected to be HK\$121,710 in aggregate. As at the Latest Practicable Date, there had not been any prosecution initiated against the Group and the then and current directors of the Group, nor had any of them been subject to any fine relating the above non-compliances. Having considered that the estimated fines are immaterial and the Controlling Shareholders shall indemnify the Group as mentioned below, no provision for the fines has been made by the Directors in the Group's financial statements.

The Controlling Shareholders have entered into a deed of indemnity whereby the Controlling Shareholders have agreed to indemnify the Group, subject to the terms and conditions of the deed of indemnity, in respect of any liabilities which may arise as a result of any non-compliance of the Group with the applicable laws, rules or regulations on or before the date on which the Placing becomes unconditional. Further details of the deed of indemnity are set out in the paragraph headed "Tax and other indemnities" in Appendix IV to this prospectus.

Having considered the nature and the circumstances giving rise to the above non-compliances and that the non-compliances were merely inadvertent and were not wilful, the Sponsor is of the view that these past non-compliances do not involve any dishonesty on the part of the Directors or impugn on their integrity or competence and do not affect their suitability to act as directors of a listed issuer under Rules 5.01, 5.02 and 11.07 of the GEM Listing Rules and the suitability for listing of the Company under Rule 11.06 of the GEM Listing Rules.

In order to continuously improve the Group's corporate governance and to prevent recurrence of the non-compliances in the future, the Group has adopted or will adopt the following measures:

- (i) the Directors and the company secretary of the Company have attended a training session conducted by the Company's Hong Kong legal advisors on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange;
- (ii) the Group has employed a company secretary who has the experience in being company secretary of listed company. He is a fellow and practising member of The Hong Kong Institute of Certified Public Accountants and also an associate of the Hong Kong Institute of Company Secretaries. The company secretary has access to external professionals retained by the Group from time to time, including the compliance advisor, legal advisors and auditors. The company secretary, together with the Company's compliance officer will act as the principal channel of communication between members of the Group and the Company in relation to compliance matters of the Group. Upon receipt of any queries or reports on compliance matters, the company secretary or the compliance officer will look into the matter and, if appropriate, seek advice, guidance and recommendation from external professionals and report to the Compliance Committee (see (viii) below);

¹ Apart from advising on the incidents of non-compliance with the Companies Ordinance by iAsia (BVI), the Legal Counsel of the Company was engaged by the Company for the purposes of advising the Group on whether its involvement in the Order Management System will fall within the definition of any regulated activity under Schedule 5 of the SFO and advising the Group on whether it is subject to any rules and regulations in Hong Kong specific to its principal business activities.

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- (iii) the company secretary will be responsible for keeping the filing register up to date on a monthly basis for all subsidiaries to ensure ongoing compliance. The company secretary will report to the Compliance Committee (see (viii) below) in the future in the event of any non-compliance with the Companies Ordinance. For details of his biography, please refer to the paragraph headed “Company secretary” in the section headed “Directors, Senior Management and Staff” of this prospectus. The Group has also assigned its finance manager, Ms. Law Hau Yan to assist the company secretary for the day to day compliance duties. Please refer to the paragraph headed “Adequacy and effectiveness of internal control systems” in this section for her qualifications and work experience;
- (iv) the Group has established a comprehensive compliance manual which shall be observed by directors and employees of the Group. Each department shall be responsible for making all relevant staff aware of the compliance manual and for ensuring compliance with its principles;
- (v) on 8 November 2012, the Group appointed an independent internal control consultant (the “Consultant”), CT Partners Consultants Limited, to perform a detailed evaluation under the COSO framework of the adequacy and effectiveness of the Group’s internal control system including the areas of financial, operational, compliance and risk management. The Consultant has been appointed as an internal control consultant by a number of listed companies, including a company in the computer system development industry, to report to their respective audit committees. The engagement director of the Consultant is a Certified Internal Auditor, a practicing member of The Hong Kong Institute of Certified Public Accountants, a member of The Society of Chinese Accountants & Auditors, a fellow of The Association of Chartered Certified Accountants, a member of The Association of International Accountants, a member of Canadian Certified General Accountants Association, a member of The Taxation Institute of Hong Kong and a Certified Tax Adviser (HK). The Consultant has made certain recommendations including compiling and adopting a comprehensive staff handbook, internal control manual and compliance manual in relation to the internal control practices and procedures of the Group. According to the result of the follow up review by the Consultant on 15 March 2013, the Group had implemented measures and ratified deficiencies as recommended by the Consultant, details of which are set out in the paragraph headed “Internal control” of this section;
- (vi) the Group will retain a legal advisor to advise the Group on compliance with applicable Hong Kong laws and regulations;
- (vii) the Group will provide to its Directors, senior management and employees involved with training, development programmes and/or updates regarding the legal and regulatory requirements applicable to the business operations of the Group from time to time. The training will be provided to the Directors and relevant senior management and employees (i) on an annual basis; and (ii) when there are major updates of GEM Listing Rules and applicable laws and regulations. In addition, specific training courses regarding internal control framework of COSO updated in May 2013 will also be provided;

BUSINESS

- (viii) the Group has established a compliance committee (the “Compliance Committee”) comprising four members, namely Mr. Li, an executive Director and compliance officer of the Company, who shall also chair the Compliance Committee, Mr. Lai, an executive Director, Mr. Tai Man Hin, Tony, an independent non-executive Director and chairman of the Audit Committee, and Ms. Law Hau Yan, the finance manager of the Group to ensure compliance within the Group. The role of the Compliance Committee includes the following:
- to establish, execute and maintain the compliance system of the Group;
 - to support and provide instruction to ensure that each business unit can establish, execute and maintain its compliance system;
 - to produce the compliance manual and keep it updated;
 - to conduct education and training programmes on compliance, including compliance seminars;
 - to monitor the status of the compliance system; and
 - to investigate compliance problems and take appropriate measures when one arises (it may instruct the relevant department(s) to deal with the problem depending on its nature).
- (ix) the Group has established the Audit Committee which comprises three independent non-executive Directors. Mr. Tai Man Hin, Tony and Mr. Yuen Shiu Wai possess extensive experience in accounting, finance and corporate secretarial management experience. Mr. Tai is an associate member of The Hong Kong Institute of Certified Public Accountants and serves as company secretary in two listed companies in Hong Kong, while Mr. Yuen has qualified as a Financial Risk Manager and a Chartered Financial Analyst. The Audit Committee has also adopted its terms of reference which set out clearly its duties and obligations to, among other things, oversee the internal control procedures and accounting and financial reporting matters of the Group, and ensure compliances with the relevant regulatory requirements. In particular, the Audit Committee is empowered under its terms of reference to review any arrangement which may raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Directors are of the view that the Group has adequate measures to prevent future recurrence of the non-compliances. Based on (i) the experience of the company secretary, who will be the primary party responsible for ensuring ongoing compliance with the Companies Ordinance and his accessibility to external professionals; (ii) the experience of members of the Audit Committee, who will oversee the internal control procedures of the Group; and (iii) manuals adopted in relation to the internal control practices and procedures of the Group, the Sponsor concurs with the Directors’ view that the Group’s internal control is adequate to prevent future recurrence of the non-compliances.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKING

THE CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Placing, each of Mr. Chan, Woodstock and Luster Wealth will control more than 30% of the Company's issued share capital, irrespective of whether the Offer Size Adjustment Option is exercised partially or fully, or at all. For the purpose of the GEM Listing Rules, Mr. Chan, Woodstock and Luster Wealth are the Controlling Shareholders. Each of Mr. Chan, Woodstock and Luster Wealth confirms that it/he does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with the Group's business.

RULE 11.04 OF THE GEM LISTING RULES

Save as disclosed below, each of the Controlling Shareholders, the Directors and their respective associates do not have any interest in a business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the Group's business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

OTHER BUSINESS INTERESTS OF THE CONTROLLING SHAREHOLDER

Set out below are the details of the other business interests held by Mr. Chan, a non-executive Director and Controlling Shareholder and/or his associates in MelcoLot Limited and Fortune Grace Management Limited as advised by Mr. Chan.

MelcoLot Limited

As at the Latest Practicable Date, Mr. Chan was interested in 14,047,860 shares in MelcoLot Limited¹ ("MelcoLot"), the shares of which are listed on GEM, representing approximately 0.60% of the issued share capital of MelcoLot, of which 7,480,000 shares were held by Woodstock, a company wholly-owned by Mr. Chan, and of which 6,551,500 underlying shares were share options granted by MelcoLot to Mr. Chan. Mr. Chan was an executive director and chairman of MelcoLot up to December 2009. He was re-designated as its non-executive director in December 2009 and resigned as its chairman with effect from February 2010. In March 2010, he was re-appointed as the chairman of MelcoLot. Since then, he remained as a non-executive director and chairman of MelcoLot until July 2013 when he resigned from both positions. Mr. Chan was appointed as MelcoLot's advisor in August 2013. Mr. Chan is also the founder of MelcoLot.

MelcoLot and its subsidiaries (together, the "MelcoLot Group") are principally engaged in the provision of lottery-related technologies, systems and solutions in the PRC. As confirmed by Mr. Chan, the business of the MelcoLot Group, whether directly or indirectly, does not and is not likely to compete with the business of the Group, as the MelcoLot Group is engaged in lottery-related technology business in the PRC including distribution of lottery terminals in the PRC while the Group is engaged in the development, sale and lease of financial trading software solutions with principal products being trading

¹ a company registered as an overseas company in Hong Kong under Part XI of the then Companies Ordinance on 3 December 2001 (CR No.: F0011607), known as Wafer Systems Limited at the time of registration, and its name was changed to Melco LottVentures Limited on 26 March 2008 and MelcoLot Limited on 13 January 2009, the shares of which were listed on GEM on 17 May 2002.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKING

and settlement systems of financial products for financial institutions which target different customers and require different technologies and entirely different industry knowledge from that of the MelcoLot Group.

Fortune Grace Management Limited

As at the Latest Practicable Date, Mr. Chan held 70% of the issued share capital of Fortune Grace Management Limited (“Fortune Grace”), a company incorporated in the BVI. The other shareholders of Fortune Grace, namely Wang Fang and Wang Wei, are Independent Third Parties. As advised by Mr. Chan, Fortune Grace is principally engaged in investment holding and is a parent company of Wafer Systems Limited², a holding company of a group of companies (together, the “Wafer Group”) principally engaged in the provision of network system integration in Hong Kong and the PRC. During the period from the listing of MelcoLot to December 2009, the members of the Wafer Group had been subsidiaries of MelcoLot. The Wafer Group was acquired by Fortune Grace from MelcoLot in December 2009 and since then and up to the Latest Practicable Date, the members of the Wafer Group have been subsidiaries of Fortune Grace. Save as the aforesaid and save as being its former subsidiaries, the Wafer Group, which is controlled by Mr. Chan through Fortune Grace, has no other relationship with MelcoLot.

As confirmed by Mr. Chan, the business of the Wafer Group, whether directly or indirectly, does not and is not likely to compete with the business of the Group. The Wafer Group generates its revenue from network infrastructure solutions, network professional services, and sales of network software, which are all related to network and communication technology business, such as sales of networking equipment and providing network solutions to telecom service providers and multi-national companies, etc. As the Group is principally engaged in the development, sale and lease of financial trading software solutions with principal products being trading and settlement systems of financial products for financial institutions, each of the businesses of the Wafer Group and the Group requires different technologies and entirely different industry knowledge and does not compete and is not likely to compete with each other.

Mr. Chan has confirmed and undertaken that each of Fortune Grace and each member of the Wafer Group would not undertake any businesses that competes or is likely to compete, directly or indirectly with the Group’s business.

NON-COMPETITION UNDERTAKING

Mr. Chan, Woodstock and Luster Wealth (collectively the “Covenantors”), have entered into a deed of non-competition dated 10 September 2013 in favour of the Company and its subsidiaries (the “Deed of Non-competition”). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to the Company (for itself and for the benefit of its subsidiaries) that, save and except as disclosed in this prospectus, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its associates (other than any member of the Group) not to carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of the Group within Hong Kong, Macau, and such other parts of the world where

² a company incorporated in Hong Kong with limited liability on 16 October 1998 (CR No.: 656930), known as Keen China Limited at the time of incorporation, and its name was changed to Wafer Systems Holdings Limited on 9 December 1998 and Wafer Systems Limited on 5 June 2008.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKING

any member of the Group may operate from time to time, save for the holding of not more than 5% shareholding interests (individually or with his/its associates) in any company listed on a recognised stock exchange and at any time the relevant listed company shall have at least one shareholder (individually or with his/its associates, if applicable) whose shareholding interests in the relevant listed company is higher than that of the relevant Covenantor (individually or with his/its associates).

Each of the Covenantors further undertakes that if he/it or his/its associates other than any member of the Group is offered or becomes aware of any business opportunity which may compete with the business of the Group, he/it shall procure that his/its associates to promptly notify the Group in writing and the Group shall have a right of first refusal to take up such opportunity. The Group shall, within 6 months after receipt of the written notice (or such longer period if the Group is required to complete any approval procedures as set out under the GEM Listing Rules from time to time), notify the Covenantor(s) whether the Group will exercise the right of first refusal.

The Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of the independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The Company will adopt the following procedures to monitor that the Deed of Non-competition is being observed:

- (a) the Board will establish a committee comprising all of the independent non-executive Directors which will be delegated with the authority to review on an annual basis the above undertakings from the Covenantors and to evaluate the effective implementation of the Deed of Non-competition;
- (b) each of the Covenantors undertakes to provide any information as is reasonably required by the Group or the committee comprising the independent non-executive Directors, as a basis to decide whether to exercise the right of first refusal by the Company from time to time; and
- (c) each of the Covenantors undertakes to provide all information necessary for the annual review by the committee comprising the independent non-executive Directors and the enforcement of the Deed of Non-competition, and to provide an annual confirmation on the compliance of the non-competition undertaking for inclusion in the annual report of the Company.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Division granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreement having been fulfilled (or where applicable, waived) and the Underwriting Agreement not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date specified in the Underwriting Agreement (unless such conditions are waived on or before such date) or in any event on or before the date falling 30 days after the date of this prospectus, the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKING

The Deed of Non-competition shall terminate on the date on which (i) in relation to any Covenantors, when he/it together with his/its associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the GEM Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of the Company provided that the Deed of Non-competition shall continue to be in full force and effect as against the other Covenantors; or (ii) the Shares cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

INDEPENDENCE OF THE GROUP

In the opinion of the Directors, the Group is capable of carrying on the businesses independently of, and does not place undue reliance on, the Controlling Shareholders, their respective associates or any other parties, taking into account the following factors:

(i) Financial independence

The Group has an independent financial system and makes financial decisions according to their own business needs. As at the Latest Practicable Date, the non-trade related amounts due to or from Mr. Chan or companies controlled by him had been fully settled. The Directors consider that the Group has sufficient capital to operate the business independently, and has adequate internal resources and credit profile to support its daily operations.

(ii) Operational independence

The Group has established its own organisational structure comprising individual departments, each with specific areas of responsibilities. During the Track Record Period up to 31 December 2012, the position of finance manager of iAsia (BVI), which was taken on a part time basis as confirmed by the Directors, and the position of finance manager of Wafer Group had been taken by the same staff. Further details of Wafer Group are set out on page 147 in the paragraph headed "Fortune Grace Management Limited" in this section. The said part time finance manager of iAsia (BVI) was responsible for, among others, internal control review, preparation of monthly and yearly accounts, cash flow management, and providing advice on tax to iAsia (BVI) and its subsidiary. The engagement contract of the said part time finance manager of iAsia (BVI) was expired on 31 December 2012 and was not renewed as advised by the Directors. Since 18 March 2013, iAsia (BVI) has employed a full time staff as its finance manager. Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, the Group has not shared the operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their respective associates and none of the staff of Mr. Chan's private businesses was involved in the research and development and other business operations of the Group.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS AND NON-COMPETITION UNDERTAKING

(iii) Management independence

The Company aims at establishing and maintaining a strong and independent Board to oversee the Group's business. The Board's main functions include the approval of the overall business plans and strategies of the Group, monitoring the implementation of these policies and strategies and the management of the Company. Mr. Wong Kai Ming, a director of iAsia (BVI), had been a director of Wafer Systems Limited and two of its group companies. Further details of Wafer Systems Limited are set out on page 147 in the paragraph headed "Fortune Grace Management Limited" in this section. Mr. Wong Kai Ming resigned as a director of Wafer Systems Limited and its two group companies on 28 December 2012. Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, the Group had an independent management team, which was led by a team of senior management with substantial experience and expertise in the business, to implement the Group's policies and strategies.

The Board consists of 6 Directors, comprising 2 executive Directors, 1 non-executive Director and 3 independent non-executive Directors. Mr. Chan, the Controlling Shareholder, is the chairman of the Board and a non-executive Director.

Each of the Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of the Company and does not allow any conflict between his or her duties as a Director and his or her personal interest to exist. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between the Group and the Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum.

(iv) Independence of major suppliers

The Directors confirm that none of the Controlling Shareholders, the Directors and their respective associates, have any relationship with the major suppliers of the Group (other than the business contacts in the ordinary and usual course of business of the Group) during the Track Record Period and up to the Latest Practicable Date.

(v) Independence of major customers

The Directors confirm that none of the Controlling Shareholders, the Directors and their respective associates, have any relationship with the major customers of the Group (other than the business contacts in the ordinary and usual course of business of the Group) during the Track Record Period and up to the Latest Practicable Date.

BUSINESS OBJECTIVES AND STRATEGIES

BUSINESS OBJECTIVE

The business objective of the Group is to further the growth of its financial trading software solutions by expanding its product range, enhancing the development of its existing products and broadening its customer base in order to become one of the major financial trading software solution providers in Hong Kong.

BUSINESS STRATEGIES

The Group aims to achieve the abovementioned objectives through engaging in the following principal businesses:

1. Enhancing product development by developing new products and improving its existing products

The Directors believe that developing new products which suit the latest market needs is the key to the Group's long term success. Accordingly, the Group plans to diversify its product portfolio in order to meet different demands of its customers. As the trading infrastructure, types of financial products and software technology keep on changing, the demands of different types of trading software also changes. The Group will continuously keep on top of the latest market trends and develop products in line with the market needs.

In view of the latest change in market infrastructure and market needs, and to enrich its product line to cover other financial trading software solutions, the Group is developing certain new products, the details of which are set out in the paragraph headed "Research and development" under the section headed "Business" of this prospectus.

In addition, the Directors believe that continuous improvement on and modification of existing products is a way to stay competitive in the industry. Therefore, the Group will keep on upgrading and improving its existing products in accordance with the development in technology and to meet the increasing demand of its customers' functional requirements. The Group will keep abreast of the latest change in the trading rules and architecture in the financial markets. A particular move involves handling the proposed changes by HKEx. As set out in the section headed "Industry Overview", HKEx has recently proposed major changes in the trading infrastructure. The Group is conducting development works to cope with such changes.

As a result of the proposed change in the trading infrastructure, the Directors believe that this would provide a chance for the Group to seize business opportunities from financial institutions, in particular local banks, which to the knowledge of the Directors, many of them are still using older models of trading and settlement systems with outdated technology or insufficient functionality or which may even be unable to cope with the new trading infrastructure. The Directors believe that this change may trigger the banks to consider purchasing a newer model of trading and settlement systems as the old systems may not be compatible with the new trading infrastructure. In order to seize these opportunities, the Group will enhance its existing Securities Front Office and Back Office Systems to provide more customised functions for the banking sector.

The Group's Futures Front Office System will also be enhanced to include more features.

BUSINESS OBJECTIVES AND STRATEGIES

Details of the Group's developments works to upgrade the Securities Front Office System, Futures Front Office System and Back Office System are set out in the paragraph headed "Research and development" under the section headed "Business" of this prospectus.

In order to enhance its research and development capability for product development and enhancement, the Group will hire additional technical staff and procure relevant hardware. Over 10 staff, including programmers, system analysts, project managers are planned to be recruited by the Group in stages. Hardware including computers, tablets, mobile phones, servers are planned to be purchased.

The estimated total costs to be incurred for developing new products and improving the existing products are approximately HK\$16.7 million, out of which approximately HK\$7.6 million will be financed by the Listing proceeds and the remaining, which represents the salary of the existing staff involved in the development, will be financed by the Group's internal resources. Details of the risks involved are set out in the sub-paragraphs headed "The Group's research and development projects may not be successful or marketable", "The Group may fail to upgrade its systems to accommodate the new trading platforms of HKEx" under the section headed "Risk Factors" of this prospectus.

2. Strengthening the marketing efforts

The Group plans to further expand its market share by targeting (i) Category C brokers, which to the knowledge of the Directors may not be willing to invest in trading systems; and (ii) local banks, which to the knowledge of the Directors, many of them are still using older model of trading and settlement systems. In this regard, the Group is developing and will launch products that suit their needs, such as the Order Management System which offers a one-stop solution to save hardware costs for Category C brokers (details of which are set out in the paragraph headed "Research and development" under the section headed "Business" of this prospectus), and the enhanced version of Securities Front Office System and Back Office System for the banking sector as mentioned above.

As disclosed in the section headed "Industry Overview" of this prospectus, Category C brokers outnumbered the players of Category A and Category B, but the latter two are likely to be comparatively financially stronger and have economies of scale in business volume to offer comprehensive and sophisticated service platforms. One of the major challenges faced by Category C brokers is the increase in their operating costs due to continuous changes in the trading infrastructure in Hong Kong. Despite that, the number of Category C brokers showed an upward trend between 2007 and 2012. The Directors believe these challenges faced by Category C brokers provide an opportunity for the Group to expand its customer base as the Group can offer lower cost trading solutions, such as the Order Management System, to them.

More resources will be allocated to marketing in order to raise the Group's brand awareness among potential customers. The Group plans to adopt a more proactive approach in its marketing strategy. Product brochures promoting the Group's OCG solutions and enhanced version of the Futures Front Office System of the Group will be sent to potential customers extensively to increase the Group's exposure. Marketing events such as technical seminars or briefing sessions will be organised to promote the latest development of the Group's software systems.

BUSINESS OBJECTIVES AND STRATEGIES

Other steps will be taken on an on-going basis to enhance the brand-building of the Group. A network to assemble users of the Group's software systems, namely the "iAsian Community", will be formed to provide free system training and user experience reflection sessions to the Group's customers.

Furthermore, sharing activities will be arranged for community members, to which non-users can be invited to understand more about the Group's products and services. The Group aims to promote itself through this channel and, together with the aforementioned customer-oriented programs, strengthen the effect of referral.

The Group will set up an online customer service platform under which users of the Group's software systems can log in and send their enquiries to the Group through internet. The enquiries sent will be automatically updated in the log system of the Group's customer service staff for follow-up action. This provides a more convenient way for the Group's customers to send their enquiries.

The implementation of these plans for expanding the Group's customer base will be financed wholly by the Listing proceeds. The Group believes that the implementation of marketing plans will not affect its business and risk profile going forward.

3. Possible acquisition of an IT company

In order to further expand its business scale, the Group will pursue suitable acquisition opportunity and the Group plans to acquire an IT company. The acquisition target includes finance-related software companies and any IT companies which can contribute to, among other things, (i) the increase in the Group's customer base; (ii) the acquirement of useful source codes; (iii) the acquirement of technical knowledge from staff of the target company; and (iv) the increased efficiency in research and development through existing projects of the target company. Examples of such IT companies are companies engaged in the development of mobile applications and companies engaged in the provision of financial data. Instead of limiting its acquisition target to companies engaged in development of financial trading software, the Group will extend its acquisition target to other IT companies which can provide positive contribution to the Group as mentioned above. The Directors are of the view that it will be in the interest of the Group since (i) there are limited number of financial trading software vendors with a considerable operating scale in the market; (ii) acquiring similar company may not necessarily help the Group to expand its product lines and research and development capabilities but may create redundant resources; and (iii) acquiring an IT company of different business can extend the Group's product range and revenue sources. In any event, the Group will only consider to acquire an IT company which can create synergy effect to the existing software business of the Group. In addition, in order to ensure the smooth operations of the acquired business, the Group will keep the management of such business for at least a certain period of time. Target company will be assessed to evaluate the value to be added to the Group's business.

The Group has not yet commenced to identify acquisition target. Accordingly, no specific target has been identified and no formal negotiation has been conducted for the acquisition of an IT company by the Group as at the Latest Practicable Date. The Group currently has no intention to acquire the private business of Mr. Chan in the future.

BUSINESS OBJECTIVES AND STRATEGIES

When evaluating a potential target for acquisition, the Group will consider factors including (i) the acquisition price and the related cost; (ii) the financial performance of the potential target; (iii) the potential target's relevant experience within the IT sector; (iv) the expertise and qualifications of the staff of the potential target; (v) the source codes possessed by the potential target; (vi) the potential target's existing customer base; and (vii) the reputation of the potential target.

Once an acquisition opportunity is identified, the Group will conduct a preliminary legal and financial assessment of the target. If a target company is considered worth pursuing, the Group will conduct due diligence of the financial and legal aspects of the target. Upon completion and review of the due diligence, the Group's management will proceed to negotiation and conclusion of the terms of an acquisition agreement with the owner of the target. The Directors believe that successful acquisition will bring synergy to the Group and enhance shareholders' value of the Group.

The budget for the acquisition of the IT company will range from approximately HK\$13,000,000 to HK\$18,000,000 which depends on the final amount of the Listing proceeds allocated for the acquisition. In case the acquisition price is greater than the amount of Listing proceeds allocated for the acquisition, the Group will finance the shortfall by internal resources of the Group. Details of the risks involved are set out in the sub-paragraphs headed "Intended acquisition of an IT company may contain risks and/or does not contribute to the Group's business as planned" under the section headed "Risk Factors" of this prospectus.

IMPLEMENTATION PLANS

In pursuance of the business objectives set out above, the implementation plans of the Group are set forth below for each of the 6-month periods until 31 December 2015. Investors should note that the following implementation plans are formulated on the bases and assumptions referred to in the paragraph headed "Bases and assumptions" below. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors set forth in the section headed "Risk Factors" of this prospectus. The Group's actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of the Group will materialise in accordance with the expected time frame or that the objective of the Group will be accomplished at all.

Nevertheless, the Directors will use their best endeavors to anticipate future changes in the industry, take measures and be flexible so that the Group may stay ahead of or react timely and appropriately to such changes.

For the period from the Latest Practicable Date to 31 December 2013

1. Enhancing product development by developing new products and improving its existing products

New products

- Recruit two staff for development of the Algorithmic Trading System
- Test trading strategies and enrich features and enhance efficiency of the Algorithmic Trading System
- Recruit three staff for development and testing of the Mobile App
- Procure hardware for development of Mobile App

BUSINESS OBJECTIVES AND STRATEGIES

- Launch Android version of the Mobile App for Tablet
- Launch Android version of the Mobile App for Retail Investors
- Conduct hardware and network infrastructure planning and requirement capture for the Order Management System

Existing products

- Recruit five staff for development of existing products
- Develop new features of the Futures Front Office System
- Complete upgrade of the trading interface of the Securities Front Office System to OCG and the market data interface
- Complete upgrade of the trading interface of the Futures Front Office System to CG
- Commence to enhance the market data interface of the Futures Front Office System to CG

2. Expanding the customer base

- Send product brochures of OCG solutions, by email and post, to all Stock Exchange Participants
- Organise seminars to explain technical specifications of OCG
- Send product brochures of enhanced version of Futures Front Office System to all Futures Exchange Participants
- Commence to organise briefing sessions on an on-going basis to round up existing products and preview new products under development

3. Possible acquisition of an IT company

- Identify potential IT company for acquisition

For the six months ending 30 June 2014

1. Enhancing product development by developing new products and improving its existing products

New products

- Launch iOS version of the Mobile App for Retail Investors
- Recruit three staff for development of the Order Management System

BUSINESS OBJECTIVES AND STRATEGIES

- Conduct system and network design work for the Order Management System network
- Conduct system development works for the Order Management System
- Complete system development works for the Algorithmic Trading System

Existing products

- Complete enhancement of the market data interface of the Futures Front Office System to CG
- Develop and test the enhanced version of the Securities Front Office and Back Office System for banking sector
- Test the enhanced version of the Futures Front Office System
- Launch the enhanced version of the Futures Front Office System

2. *Expanding the customer base*

- Establish the network of iAsian Community through recruiting end-users of the Group's software systems
- Commence providing regular free training sessions to community members on an on-going basis
- Schedule and provide user experience reflective sessions to the community members in collection of feedback on an on-going basis

3. *Possible acquisition of an IT company*

- Identify potential IT company for acquisition
- Conduct review of the target company if acquisition opportunity is identified

For the six months ending 31 December 2014

1. *Enhancing product development by developing new products and improving its existing products*

New products

- Launch the arbitrage section of the Algorithmic Trading System with main focus on index futures products traded on the Futures Exchange
- Launch the market maker section of the Algorithmic Trading System with main focus on index futures and index option products traded on the Futures Exchange

BUSINESS OBJECTIVES AND STRATEGIES

- Launch the arbitrage section of the Algorithmic Trading System with main focus on futures and option products traded on the Futures Exchange
- Launch iOS version of the Mobile App for Tablet
- Complete system development works and system integration testing of the Order Management System

Existing products

- Launch the enhanced version of the Securities Front Office and Back Office System for banking sector

2. Expanding the customer base

- Commence scheduling and arranging sharing activities for both community members and non-customers upon invitation on an on-going basis
- Set up an online customer service platform for input of feedback by the customers which will be systematically stored in the Group's log system of customer services

3. Possible acquisition of an IT company

- Identify potential IT company for acquisition
- Conduct review of the target company
- Negotiate, conclude and complete a possible acquisition of an IT company

For the six months ending 30 June 2015

1. Enhancing product development by developing new products and improving its existing products

New products

- Integrate and embed the interface into the Algorithmic Trading System in order to place orders for securities traded on the Stock Exchange
- Include more trading strategies into the Algorithmic Trading System
- Conduct feasibility study of extending the Mobile App for Tablet and the Mobile App for Retail Investors to Windows 8 platform
- Conduct preparation work for building the order routing network of the Order Management System, such as sourcing of hardware and data centre
- Conduct pilot run for the Order Management System
- Launch the Order Management System and the relevant order routing network

BUSINESS OBJECTIVES AND STRATEGIES

2. Expanding the customer base

- Arrange community service for participation of the Group's staff to promote corporate social responsibility and brand image

For the six months ending 31 December 2015

1. Enhancing product development by developing new products and improving its existing products

New products

- Extend the arbitrage section of the Algorithmic Trading System to support arbitrage on stock and stock option products, which are respectively traded on the Stock Exchange and the Futures Exchange
- Conduct system enhancement and fine tuning of the Order Management System

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of the Group's business objectives depends on the following general assumptions and specific assumptions:

General assumptions

- (1) The Group is not materially or adversely affected by any changes in existing government policies or political, legal (including changes in legislations or regulations or rules), fiscal market, or economic conditions in Hong Kong in which the Group carries or will carry on business.
- (2) The Group is not materially or adversely affected by any changes in bases or rates of taxation or duties in Hong Kong or in any other places in which the Group operates or is incorporated.
- (3) The Group is not materially or adversely affected by any changes in inflation rates, interest rates or exchange rates from those currently prevailing.

Specific assumptions

- (1) The Placing will be completed in accordance with and as described in the section headed "Structure and Condition of the Placing" of this prospectus.
- (2) The Group is not adversely affected by any of the risk factors set out in the section headed "Risk Factors" of this prospectus.
- (3) The Group is able to retain its key staff in the management team.
- (4) The Group will have sufficient financial resources to meet the planned capital expenditures and business development requirements during the period to which the business objective relates.

REASONS FOR THE PLACING AND USE OF PROCEEDS

REASONS FOR THE PLACING

The Directors believe that the Listing can strengthen the Group's financial position and enable the Group to implement its business strategies, details of which are set out in the section headed "Business Objectives and Strategies" in this prospectus. In addition, the Directors expect that the Listing will bring the following benefits to the Group and its shareholders:

1. access to the capital market for future growth;
2. promotion of the Group as an active financial trading software solution provider in Hong Kong; and
3. enhancement of loyalty and morale of the Group's staff.

USE OF PROCEEDS

The Directors consider that net proceeds from the Placing are crucial for financing the Group's business strategies. The Directors estimate that the net proceeds from the Placing (after deducting underwriting fees and estimated expenses payable by the Group in connection with the Placing of approximately HK\$12.4 million) will be approximately HK\$28.6 million based on the Placing Price of HK\$0.82 per Placing Share. It is at present intended that the net proceeds will be applied as follows:

- approximately HK\$12.3 million, representing approximately 42.9% of the estimated net proceeds, for enhancing product development by developing new products and improving its existing products, of which approximately HK\$10.5 million will be used to recruit new technical staff and HK\$1.8 million will be used to procure relevant hardware;
- approximately HK\$2.5 million, representing approximately 8.7% of the estimated net proceeds, for expanding the customer base;
- approximately HK\$13.0 million, representing approximately 45.5% of the estimated net proceeds, for the possible acquisition of an IT company; and
- the balance of approximately HK\$0.8 million, representing approximately 2.9% of the estimated net proceeds, for working capital of the Group.

REASONS FOR THE PLACING AND USE OF PROCEEDS

For the period from the Latest Practicable Date to 31 December 2015, the Group's net proceeds from the Placing will be used as follows:

	From the Latest Practicable Date to 31 December 2013 <i>(HK\$'000)</i>	For the six months ending 30 June 2014 <i>(HK\$'000)</i>	For the six months ending 31 December 2014 <i>(HK\$'000)</i>	For the six months ending 30 June 2015 <i>(HK\$'000)</i>	For the six months ending 31 December 2015 <i>(HK\$'000)</i>	Total <i>(HK\$'000)</i>
Enhancing product development by developing new products and improving its existing products	2,490	2,660	2,460	2,900	1,755	12,265
Expanding the customer base	500	500	500	500	500	2,500
Possible acquisition of an IT company	-	-	13,000	-	-	13,000
Working capital	830	-	-	-	-	830
	3,820	3,160	15,960	3,400	2,255	28,595
Total	3,820	3,160	15,960	3,400	2,255	28,595

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the above allocations on a pro rata basis. For details of the Offer Size Adjustment Option, please refer to the paragraph headed "Offer Size Adjustment Option" under the section headed "Structure and Conditions of the Placing" in this prospectus.

To the extent that the net proceeds from the Placing are not immediately required for the above purposes, it is the present intention of the Directors that such net proceeds will be placed as short-term deposits with authorised banks and/or financial institutions in Hong Kong. The Directors consider that the net proceeds from the Placing together with the internal resources of the Group will be sufficient to finance the implementation of the Group's business plans as set out in the paragraph headed "Implementation plans" under the section headed "Business Objective and Strategies" of this prospectus.

Investors should be aware that any part of the business plans of the Group may or may not proceed according to the timeframe as described in the paragraph headed "Implementation plans" under the section headed "Business Objective and Strategies" of this prospectus due to various factors such as changes in customers' demand and changes in market conditions. Under such circumstances, the Directors will evaluate carefully the situations and will hold the funds as short-term deposits in authorised banks and/or financial institutions in Hong Kong until the relevant business plan materialises.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

BOARD OF DIRECTORS

The Board consists of six Directors, including two executive Directors, one non-executive Director and three independent non-executive Directors. The information of the Directors is set out below:

Name	Age	Position/Title	Roles and responsibilities	Date of appointment/ re-designation
Mr. Li Hoi Kong (李海港)	39	Executive Director and chief operating officer of the Group	Overseeing the Group's operation, business development, customer support, quality assurance, finance and administration Chairman of the Compliance Committee, member of the Remuneration Committee, compliance officer and one of the authorised representatives of the Company	10 September 2013
Mr. Lai Wai Ho, Samson (黎偉豪)	41	Executive Director and chief technology officer of the Group	Overseeing the Group's product development and advancement Member of the Compliance Committee	10 September 2013
Mr. Chan Sek Keung, Ringo (陳錫強)	54	Chairman and non-executive Director	Overall strategic management and development of corporate policy and strategy of the Group Chairman of the Nomination Committee	Appointed as a Director on 18 December 2012 and re-designated as a non-executive Director on 10 September 2013
Ms. Lee Kwun Ling, May Jean (李筠翎)	52	Independent non-executive Director	Member of the Audit Committee, the Remuneration Committee and the Nomination Committee	10 September 2013
Mr. Tai Man Hin, Tony (戴文軒)	36	Independent non-executive Director	Chairman of the Audit Committee and member of the Compliance Committee	10 September 2013
Mr. Yuen Shiu Wai (袁紹槐)	54	Independent non-executive Director	Chairman of the Remuneration Committee, member of the Audit Committee and the Nomination Committee	10 September 2013

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Executive Directors

Mr. Li Hoi Kong (李海港), aged 39, was appointed as an executive Director and chief operating officer of the Group on 10 September 2013.

Mr. Li obtained a degree of Bachelor of Engineering in Computer Science from The Hong Kong University of Science and Technology in November 1997.

Mr. Li has extensive experience in the field of information technology in the financial industry. Mr. Li was a programmer in C.A. Pacific Management Limited from August 1997 to March 1998 handling internet trading system projects. From August 1998 to July 2000, Mr. Li joined China Rise Consultants Limited as an analyst programmer. He was responsible for developing and enhancing the financial system and system design, and development of an online order entry and execution system that integrated with the financial system. In July 2000, Mr. Li joined Intelligent Group Enterprise Limited, Powerticker as a system architect and his last position was project manager. During his time at Intelligent Group Enterprise Limited, Powerticker, he was the chief architect in setting up numerous systems, including, among others, a streaming financial data system, a multi-market financial data system and a merchandising inventory system. He was also involved in the human resource management and was project leader for numerous international clients.

In February 2005, Mr. Li joined iAsia (BVI) and took up the position as project director. He was mainly responsible for the business development, operation and overseeing of all projects and resources scheduling. Mr. Li was promoted to the chief operating officer of iAsia (BVI) on 1 April 2009. Currently, he is principally in charge of the Group's daily operations, business development, customer support and quality assurance, finance and administration.

Mr. Li has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Lai Wai Ho, Samson (黎偉豪), aged 41, was appointed as an executive Director on 10 September 2013. Mr. Lai joined the Group as project director in November 2006. He was appointed as the chief technology officer of iAsia (BVI) on 1 April 2009 and the Group's chief technology officer on 10 September 2013 and has been responsible for the Group's product development and advancement.

Mr. Lai obtained a degree of Bachelor of Science in Information Systems from The University of New South Wales in June 1995. Mr. Lai successfully passed the Broker's Representatives Examination held by the Stock Exchange in January 1998.

Mr. Lai has extensive experience in the information technology profession, particularly in system design and software development of financial systems. He was employed by C.A. Pacific Management Limited from May 1995 to April 1998 as assistant manager (EDP). His main responsibility was to develop and enhance the securities and unit trust trading back office system. He then joined China Rise Consultants Limited as a consultant from April 1998 to November 1998 for development and enhancement of financial system. From March 1999 to September 1999, Mr. Lai was employed by InfoTech Services (Hong Kong) Limited as a senior engineer, during which he was seconded to Standard Chartered Bank as a system engineer responsible for Y2K fixes rollout and bank application support. In April 2000, he joined Hui Kai Securities Limited as MIS manager. Thereafter, he joined Hui Kai

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Technology Limited (changed name to Wise Information Service Engineering Limited in June 2006) in October 2002 until he left that company in October 2006.

Mr. Lai was a director of the following company which was incorporated in Hong Kong prior to its dissolution:

Name of company	Principal business activity prior to dissolution	Date of dissolution	Means of Dissolution <i>(Note)</i>	Reasons for dissolution
Smart Creative (Hong Kong) Limited	Sale and development of software products	28 March 2002	Deregistration	Cessation of business

Note: “deregistration”, in the context of Hong Kong law, refers to the process whereby a director or a member of a private company incorporated under the Companies Ordinance which has ceased its operation and is not insolvent applies to the Companies Registry of Hong Kong for deregistration pursuant to section 291AA of the Companies Ordinance. Such application can only be made if (1) all members of the company agree to the deregistration; (2) the company has never commenced business or operation, or has ceased to carry on business or operation for more than three months immediately prior to the application; and (3) the company has no outstanding liabilities.

Mr. Lai has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Chairman and Non-executive Director

Mr. Chan Sek Keung, Ringo (陳錫強), aged 54, was appointed as Director on 18 December 2012 and re-designated as a non-executive Director on 10 September 2013. Mr. Chan is the chairman of the Board.

Mr. Chan obtained a degree of Bachelor of Science in Engineering from The University of Hong Kong in November 1981. He was a fellow member of The Hong Kong Institute of Directors. He was a member of the Chinese People’s Political Consultative Conference (CPPCC) for Jinan, Shandong Province for the year 2012 and is currently a member of the CPPCC for Chengdu, Sichuan Province, the PRC.

Mr. Chan has extensive experience in the networking industry. In 1981, Mr. Chan joined Infa Telecom Limited, a company principally engaged in telecommunication system integration. In 1984, Mr. Chan joined the electronics division of General Electric Company in Hong Kong. In 1985, Mr. Chan joined Case Communications Limited, a company principally engaged in manufacturing of network equipment, as the Far East regional manager. In 1988, Mr. Chan joined Wafer Telecom Limited, which was principally engaged in the trading of network equipment in Hong Kong, as the general manager and one of the shareholders of that company.

In November 1998, Mr. Chan founded MelcoLot Limited (“MelcoLot”) (formerly known as Wafer Systems Limited, stock code: 8198), a network infrastructure solution and service provider in the PRC, and was appointed as a director. Currently, MelcoLot is principally engaged in the provision of lottery-related technologies, systems and solutions in the PRC. Mr. Chan was appointed an executive director and chairman of MelcoLot from September 2001 to December 2009. He was re-designated as its non-executive director in December 2009 and resigned as its chairman with effect from February 2010. In

DIRECTORS, SENIOR MANAGEMENT AND STAFF

March 2010, he was re-appointed as the chairman of MelcoLot. Since then, he remained as a non-executive director and chairman of MelcoLot until July 2013 when he resigned from both positions. Mr. Chan was appointed as MelcoLot's advisor in August 2013.

Save as disclosed above, Mr. Chan has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Chan was a director of the following nine companies which were all incorporated in Hong Kong prior to their respective dissolution:

Name of company	Principal business activity prior to cessation of business	Date of dissolution	Means of Dissolution <i>(Notes 1 & 2)</i>	Reasons for dissolution
Sino Arts & Crafts Limited	Inactive	22 June 2001	Deregistration	Cessation of business
TY Networks Limited	Operation of businesses in network system integration	2 March 2001	Deregistration	Cessation of business
Wafer Electronic (China) Company Limited	Operation of businesses in network system integration	6 June 2008	Deregistration	Cessation of business
Wafer Telecom Limited	Investment holding	12 November 2004	Deregistration	Cessation of business
Wafer Telecom System Limited	Operation of businesses in network system integration	6 July 2001	Deregistration	Cessation of business
WAT Limited	Operation of businesses in network system integration	15 December 2006	Deregistration	Cessation of business
Wafer Telecom Holding Limited	Property investment	30 August 2002	Deregistration	Cessation of business
Wafer Telecom Products Limited	Operation of businesses in network system integration	20 June 2003	Striking off	Inactive
Bee Systems Limited	Operation of businesses in network system integration	10 January 2003	Striking off	Inactive

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Notes:

1. “deregistration”, in the context of Hong Kong law, refers to the process whereby a director or a member of a private company incorporated under the Companies Ordinance which has ceased its operation and is not insolvent applies to the Companies Registry of Hong Kong for deregistration pursuant to section 291AA of the Companies Ordinance. Such application can only be made if (1) all members of the company agree to the deregistration; (2) the company has never commenced business or operation, or has ceased to carry on business or operation for more than three months immediately prior to the application; and (3) the company has no outstanding liabilities.
2. “striking off”, in the context of Hong Kong law, refers to striking off the name of a company from the register of companies by the Registrar of Companies of Hong Kong under section 291 of the Companies Ordinance where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operation.

Independent Non-executive Directors

Ms. Lee Kwun Ling, May Jean (李筠翎), aged 52, was appointed as an independent non-executive Director on 10 September 2013.

From 1 December 2006 to 9 October 2012, Ms. Lee was employed by King Fook Holdings Limited and her last position was director of sales and brand development, Greater China. In October 2012, Ms. Lee joined Boucheron Hong Kong Limited as retail director. Ms. Lee is currently a director of Yan Oi Tong, a registered non-profit charitable organisation. Ms. Lee is currently studying a degree in Master of Business Administration (Executive) at the City University of Hong Kong.

Ms. Lee has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Tai Man Hin, Tony (戴文軒), aged 36, was appointed as an independent non-executive Director on 10 September 2013.

Mr. Tai obtained a degree of Bachelor of Business Administration in Accounting from The Hong Kong University of Science and Technology in November 1999. He also received a degree of Master of Business Administration from The University of Manchester, the United Kingdom in December 2012.

He was admitted as an associate member of Hong Kong Society of Accountants (now known as The Hong Kong Institute of Certified Public Accountants) and The Institute of Chartered Accountants in England and Wales in January 2003 and February 2008 respectively. He has become a fellow member of The Association of Chartered Certified Accountants since September 2007.

Mr. Tai has more than 10 years of experience in the accounting field. He was employed by American International Assurance Company Limited from June 1999 to July 2001. From April 2005 to November 2007, he worked in Olympus Hong Kong and China Limited. From November 2007 to September 2008, Mr. Tai was in the employment of CSL Limited. He has been the financial controller and company secretary of Sunley Holdings Limited (stock code: 1240) from January 2011 until now. Mr. Tai has also been a company secretary of Zhongtian International Limited (stock code: 2379) since May 2010.

Mr. Tai has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Mr. Yuen Shiu Wai (袁紹槐), aged 54, was appointed as an independent non-executive Director on 10 September 2013.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Yuen obtained a Bachelor's degree of Science in Engineering from The University of Hong Kong in November 1981. He also received a degree of Master of Science (Finance) from National University of Ireland in October 1999. In April 2007, Mr. Yuen was certified as a Financial Risk Manager (FRM®) and further qualified as a Chartered Financial Analyst (CFA) in September 2008.

Mr. Yuen has extensive experience in the field of sales and business development, as well as financial investment and valuation. Mr. Yuen joined VTech Computers Limited in March 1996 as a sales manager. Mr. Yuen joined RHL Appraisal Ltd. in September 2006 as a manager and was promoted to the position of associate director in August 2007. Subsequently, Mr. Yuen worked as an analyst of investment department of Chung Yuen Electrical Co., Ltd. from January 2008 to August 2008. On 1 September 2008, Mr. Yuen was appointed as a director of Ascent Partners Transaction Service Limited. Currently, Mr. Yuen is a director of Ascent Partners Valuation Service Limited overseeing its valuation business. Both companies are wholly-owned subsidiaries of Ascent Partners Group Limited.

Mr. Yuen has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of the Directors that needs to be brought to the attention of the Shareholders and there was no information relating to the Directors that is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules as at the Latest Practicable Date.

SENIOR MANAGEMENT

Name	Age	Position/Title
Mr. Wong Cheuk Wai (黃卓威)	35	Business development director
Mr. Liu Hon Kit (廖漢杰)	34	Project director

Mr. Wong Cheuk Wai (黃卓威), aged 35, is the business development director of iAsia (BVI).

Mr. Wong obtained a degree of Bachelor of Engineering in Computer Engineering from The Hong Kong University of Science and Technology in November 2000 and a degree of Master of Science from The Chinese University of Hong Kong in December 2004. Mr. Wong has been a registered Hong Kong member of the Institute of Paralegals since August 2011 and has been elected as a Registered Paralegal (HK) since August 2011.

Mr. Wong has over 10 years' extensive experience in the field of information technology in the financial industry. From August 2002 to January 2003, Mr. Wong served as an analyst programmer in iAsia Solutions Limited. From February 2003 to July 2004, he was re-designated as a consultant and was responsible for product development. Mr. Wong joined iAsia (BVI) as project manager in August 2004. In April 2009, he was promoted to the business development manager handling sales and marketing activities and system changes. Mr. Wong was further promoted to senior business development manager in April 2010. Currently, Mr. Wong is the business development director of iAsia (BVI) principally responsible for the Group's sales and marketing function.

Mr. Wong has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Liu Hon Kit (廖漢杰), aged 34, is the project director of iAsia (BVI). Mr. Liu obtained a degree of Bachelor of Science from The Chinese University of Hong Kong in November 2001.

Mr. Liu joined iAsia (BVI) as a programmer in June 2001 and was promoted to system analyst in February 2003. He was then promoted to project manager in August 2004 and further promoted to senior project manager in April 2010. Mr. Liu has been the project director of iAsia (BVI) since April 2013, responsible for leading the Group's back office team and in particular, the development of various back office systems of the Group. During Mr. Liu's long period of employment with the Group, he has accumulated extensive experience and expertise in the information technology industry.

Mr. Liu has not held any directorship in any other public companies the securities of which are or have been listed on any securities market in Hong Kong or overseas in the past three years.

COMPANY SECRETARY

Mr. Lam Kit Sun (林傑新), aged 36, was appointed as the company secretary of the Company and chief financial officer of the Group on 10 September 2013.

Mr. Lam graduated from The Hong Kong University of Science and Technology with a bachelor degree of Business Administration in Accounting in November 1999. Mr. Lam has over 10 years' experience in the field of financial reporting, financial management and audit. Mr. Lam has been a fellow of The Hong Kong Institute of Certified Public Accountants since May 2012 and is currently a practicing member. He was also admitted as a fellow of The Association of Chartered Certified Accountants, associate of the Hong Kong Institute of Chartered Secretaries and the non practising member of The Chinese Institute of Certified Public Accountants in November 2007, October 2002, and July 2007 respectively.

Mr. Lam had been the executive director of Kiu Hung Energy Holdings Limited (stock code: 381) from 27 October 2009 and was re-designated as its non-executive director with effect from 1 August 2013. He was also the company secretary and chief financial officer of Universe International Holdings Limited (stock code: 1046) with effect from 2 August 2013, and was appointed as its executive director with effect from 30 August 2013. He was also appointed as the independent non-executive director of EPRO Limited (stock code: 8086) with effect from 1 August 2013. He was the non-executive director of ThinSoft (Holdings) Inc. (stock code: 8096, now known as Ruifeng Petroleum Chemical Holdings Limited) for the period from 11 August 2008 to 5 July 2011. For the period from 16 May 2006 to 30 August 2007, he was the company secretary and qualified accountant of Shine Software (Holdings) Limited (stock code: 8270, now known as China Leason CBM & Shale Gas Group Company Limited).

Mr. Lam joined Ernst & Young on 18 September 2000 as a staff accountant and his last position was senior accountant when he resigned on 31 January 2005.

COMPLIANCE OFFICER

Mr. Li Hoi Kong is the compliance officer of the Company. For details of his biography, please refer to the paragraph headed "Executive Directors" of this section.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

COMPLIANCE ADVISER

The Company has appointed Ample Capital as its compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules and Ample Capital assumes responsibility for acting as the Group's compliance adviser, including advising the Board on compliance with the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise the 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 under the GEM Listing Rules is contemplated including share issues and share repurchases;
- (3) where the Company proposes to use the proceeds of the Placing in a manner different from that detailed in this prospectus or where the business activities, developments or results of the Company deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of the Company under Rule 17.11 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an Audit Committee on 10 September 2013 with written terms of reference in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee has three members comprising Mr. Tai Man Hin, Tony, Ms. Lee Kwun Ling, May Jean and Mr. Yuen Shiu Wai, of whom Mr. Tai Man Hin, Tony has been appointed as the chairman of the Audit Committee.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee on 10 September 2013 with written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code. The Remuneration Committee comprises three members, namely Mr. Yuen Shiu Wai, Ms. Lee Kwun Ling, May Jean and Mr. Li Hoi Kong. Mr. Yuen Shiu Wai is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are, amongst other things, to make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management and on the Group's policy and structure for all remuneration of the Directors and senior management.

NOMINATION COMMITTEE

The Company has established a Nomination Committee on 10 September 2013 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The Nomination Committee comprises three members, namely Mr. Chan Sek Keung, Ringo, Ms. Lee Kwun Ling, May Jean and Mr. Yuen Shiu Wai. Mr. Chan Sek Keung, Ringo has been appointed as the chairman of the

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Nomination Committee. The Nomination Committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning for the Directors.

COMPLIANCE COMMITTEE

The Company has established a Compliance Committee on 10 September 2013 with written terms of reference. The Compliance Committee comprises four members, namely Mr. Li Hoi Kong, Mr. Lai Wai Ho, Samson, Mr. Tai Man Hin, Tony and Ms. Law Hau Yan. Mr. Li Hoi Kong has been appointed as the chairman of the Compliance Committee. For details of its responsibility, please refer to the paragraph headed “Non-compliance under Companies Ordinance” in the section headed “Business” of this prospectus.

EMPLOYEES

The following table sets forth the total number of employees as at 31 December 2011 and 2012 and the Latest Practicable Date and approximate average salary per headcount by function for each of the two years ended 31 December 2012:

Department	As at 31 December				As at
	2011		2012		the Latest
	Number of	Average salary	Number of	Average salary	Practicable
	employees	(HK\$)	employees	(HK\$)	Date
					Number of
					employees
Product development	29	23,000	26	24,000	26
Sales and marketing	3	28,000	3	31,000	3
Quality assurance, customer service and support	5	26,000	6	25,000	7
Finance, human resources and management	5	37,000	5	42,000	6
Total	42		40		42

Note: Average salary of respective function is calculated as the total salary in December of the year divided by number of employees.

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company will comply with the Corporate Governance Code and the associated GEM Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

THE GROUP'S RELATIONSHIP WITH EMPLOYEES

The Group recognises the importance of having a good relationship with its employees. The Group offers its employees competitive compensation packages, which are intended to attract and retain qualified personnel.

The Group believes that it maintains a good working relationship with its employees and it has not experienced any difficulty in recruiting staff for the Group's operations. Its employees are not represented by any collective bargaining agreements or labor unions.

REMUNERATION OF DIRECTORS AND STAFF

Each of the executive Directors has respectively entered into a service contract with the Company for an initial fixed term of three years from their respective dates of appointment subject to termination, among others, by not less than three months' written notice or payment in lieu to the other party.

Each of the executive Directors will receive a fee which is subject to an annual adjustment at a rate to be determined at the discretion of the Board. The aggregate amount of fee, salaries, housing allowances, other allowances and benefits in kind paid by the Group to the Directors for each of the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013 was approximately HK\$2,615,000, HK\$3,197,000 and HK\$601,000 respectively.

The aggregate amount of contributions to retirement benefits scheme paid by the Group to the Directors for each of the two financial years ended 31 December 2011 and 2012 and the three months ended 31 March 2013 was approximately HK\$24,000, HK\$28,000 and HK\$8,000 respectively.

Save as disclosed above, no other payments have been made or are payable by the Company to the Directors, in respect of the Track Record Period. The Directors estimate that under the current proposed arrangement, the aggregate basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by the Group to the Directors will be approximately HK\$2,406,000 for the year ending 31 December 2013.

The Company's policy concerning the remuneration of the Directors is that the amount of remuneration is determined by reference to the relevant Director's experience, responsibilities, workload and the time devoted to the Group and the prevailing market rate of companies of comparable size and operations. Details of the terms of the service contracts are set out in the paragraph headed "Particulars of service contracts" in Appendix IV to this prospectus.

The Group had provided incentive packages during the Track Record Period and will continue to maintain these packages, seeking to align the financial well-being of the Group with that of the employees, and to retain the directors and staff of high calibre. Staff are offered basic salaries commensurate with market levels. Except for bonus scheme which is at the discretion of the management based on the Group's performance and financial conditions and the performance of individual staff, the Group also provides commission as incentive payment to the sales team and project managers payable upon completion of certain projects.

The five highest paid individuals of the Group during the Track Record Periods include two executive Directors. Details of remuneration paid to the remaining three highest paid non-director

DIRECTORS, SENIOR MANAGEMENT AND STAFF

individuals of the Group, which are individually below HK\$1,000,000, are disclosed in the Accountants' Report of the Company in Appendix I to this Prospectus.

RETIREMENT BENEFIT SCHEME

The Group participates in the mandatory provident fund prescribed by the Mandatory Provident Fund Schemes Ordinance, Chapter 485 of the Laws of Hong Kong and has made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, the Group has not participated in any other pension schemes.

STAFF RELATION

The Group's employees are vital to the sustainable growth of the Group's business. Hence, the Group has adopted/plans to adopt the following measures to improve staff relation:

- (i) the Group conducts periodic performance reviews for its employees and their salaries and bonuses are performance-based;
- (ii) the Group provides on-going training to its staff on a needed basis to enhance their technical and product knowledge;
- (iii) the Group offers competitive packages including medical benefits for its staff;
- (iv) the Group has adopted the Share Option Scheme to attract and retain qualified personnel; and
- (v) the Group provides a friendly environment by arranging social events and functions such as hiking, karaoke and dinner gathering for its staff to participate in.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, the following persons will, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any option that may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries:

Long positions in the Shares

Name	Capacity/ Nature of interest	Number of Shares held	Approximate percentage of shareholding
Luster Wealth (<i>Note 1</i>)	Beneficial owner	138,750,000	69.375%
Woodstock (<i>Note 1</i>)	Interest in controlled corporation	138,750,000	69.375%
Mr. Chan (<i>Note 1</i>)	Interest in controlled corporation	138,750,000	69.375%
Efficient Channel (<i>Note 2</i>)	Beneficial owner	11,250,000	5.625%
Mr. Kwok (<i>Note 2</i>)	Interest in controlled corporation	11,250,000	5.625%
Ms. Yip Nga Wan (<i>Note 3</i>)	Interest of spouse	11,250,000	5.625%

Notes:

- These 138,750,000 Shares are held by Luster Wealth. Mr. Chan beneficially owns 100% of the issued share capital of Woodstock, which in turn owns 85% of the issued share capital of Luster Wealth. Therefore, Mr. Chan is deemed, or taken to be, interested in all the Shares held by Luster Wealth for the purpose of the SFO. Mr. Chan is the sole director of each of Luster Wealth and Woodstock, respectively. Mr. Li, an executive Director, Mr. Lai, an executive Director, Mr. Wong, a member of the senior management of the Group and Mr. Liu, a member of the senior management of the Group, owns 6.5%, 6.5%, 1% and 1% of the issued share capital of Luster Wealth, respectively.
- These 11,250,000 Shares are held by Efficient Channel. Mr. Kwok beneficially owns 100% of the issued share capital of Efficient Channel. Therefore, Mr. Kwok is deemed, or taken to be, interested in all the Shares held by Efficient Channel for the purpose of the SFO. Mr. Kwok is the sole director of Efficient Channel.
- Ms. Yip Nga Wan is the spouse of Mr. Kwok. Accordingly, Ms. Yip Nga Wan is deemed, or taken to be, interested in all the Shares in which Mr. Kwok is interested in for the purpose of the SFO.

Save as disclosed above, the Directors are not aware of any other persons who will, immediately following completion of the Capitalisation Issue and the Placing (without taking into account any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any option that may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any of its subsidiaries.

SHARE CAPITAL

SHARE CAPITAL

Assuming the Offer Size Adjustment Option is not exercised, and without taking into account any Shares which may be issued upon exercise of any option that may be granted under the Share Option Scheme, the share capital of the Company immediately following the Capitalisation Issue and the Placing will be as follows:

<i>Authorised share capital</i>		<i>HK\$</i>
<u>1,000,000,000</u>	Shares	<u>10,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Placing:</i>		<i>HK\$</i>
10,000	Shares in issue at the date of this prospectus	100
149,990,000	Shares to be issued pursuant to the Capitalisation Issue	1,499,900
<u>50,000,000</u>	Shares to be issued pursuant to the Placing	<u>500,000</u>
<u>200,000,000</u>		<u>2,000,000</u>

Assuming the Offer Size Adjustment Option is exercised in full, and without taking into account any Shares which may be issued upon exercise of any option that may be granted under the Share Option Scheme, the share capital of the Company immediately following the Capitalisation Issue and the Placing will be as follows:

<i>Authorised share capital</i>		<i>HK\$</i>
<u>1,000,000,000</u>	Shares	<u>10,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Placing:</i>		<i>HK\$</i>
10,000	Shares in issue at the date of this prospectus	100
149,990,000	Shares to be issued pursuant to the Capitalisation Issue	1,499,900
50,000,000	Shares to be issued pursuant to the Placing	500,000
7,500,000	Shares to be issued pursuant to the Offer Size Adjustment Option	75,000
<u>207,500,000</u>		<u>2,075,000</u>

SHARE CAPITAL

RANKING

The Placing Shares will rank pari passu in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date save for any entitlement to the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of the Shareholders passed on 10 September 2013, subject to the share premium account of the Company being credited as a result of the issue of Placing Shares pursuant to the Placing, the Directors are authorised to allot and issue a total of 149,990,000 Shares credited as fully paid at par to the holders of Shares on the register of members of the Company at the close of business on 9 September 2013 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of the sum of HK\$1,499,900 standing to the credit of the share premium account of the Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the paragraph headed “Conditions of the Placing” in the section headed “Structure and Conditions of the Placing” in this prospectus, the Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by the Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of the Company in issue immediately following the completion of the Capitalisation Issue and the Placing (excluding Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of the Company repurchased pursuant to the authority granted to the Directors referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of the Offer Size Adjustment Option or the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders at a general meeting.

SHARE CAPITAL

For further details of this general mandate, please refer to the paragraph headed “Further Information about the Company — Written resolutions of the Shareholders passed on 10 September 2013” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the conditions as stated in the paragraph headed “Conditions of the Placing” in the section headed “Structure and Conditions of the Placing” in this prospectus, the Directors have been granted a general unconditional mandate to exercise all the powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of the Company’s share capital in issue immediately following the completion of the Capitalisation Issue and the Placing (excluding Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the paragraph headed “Further Information about the Company — Repurchase of the Shares by the Company” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders at a general meeting.

For further details of this general mandate, please refer to the paragraph headed “Further Information about the Company — Repurchase of the Shares by the Company” in Appendix IV to this prospectus.

SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed “Share Option Scheme” as set out in Appendix IV to this prospectus.

The Group did not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into the Shares as at the Latest Practicable Date.

FINANCIAL INFORMATION

You should read this section in conjunction with the Group's audited combined financial statements, including the notes thereto, as set out in the Accountants' Report of the Company set out in Appendix I to this prospectus. The Group's combined financial statements have been prepared in accordance with HKFRS. You should read the entire accountants' report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analysis made by the Group in light of the Group's experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet the Group's expectations and projections depend on a number of risks and uncertainties over which the Group does not have control. For further information, see the section headed "Risk Factors" of this prospectus.

OVERVIEW

The Group is principally engaged in the development, sale and lease of financial trading software solutions with the principal products being trading and settlement systems of financial products for financial institutions. The target customers are financial institutions which conduct brokerage business of financial products traded in Hong Kong, in particular Category B and Category C brokers and local banks. The Group's existing trading and settlement systems are used to facilitate the operations of financial institutions for their clients' trading of financial products and can cover the whole life cycle of trading and settlement process from order placing, risk management, compliance to settlement. As at 31 December 2012, the Group's systems were installed at 64 brokers and banks, including sizeable and renowned Hong Kong and PRC based brokers and banks. Since its establishment in 2001, the Group has successfully developed and launched trading and settlement systems for a comprehensive range of financial products and has enriched its product line from trading and settlement system of stocks to stock options, futures, forex and bullion.

Besides offering the standard package of software products, the Group also offers customisation services to customers to develop tailor-made functions on the Group's trading and settlement systems. Along with its sale and lease of financial trading software solutions, the Group is also engaged in the provision of related services, including sale of hardware, software maintenance and hosting services.

BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 18 December 2012 as an exempted company with limited liability. Its immediate holding company is Luster Wealth Limited, a company incorporated in the BVI and its ultimate holding company is Woodstock Management Limited, a company incorporated in the BVI and wholly-owned by Mr. Chan, the controlling shareholder of the Company.

Throughout the Track Record Period, the group entities were under the control of Mr. Chan. Through the Reorganisation as more fully explained in the paragraph headed "Corporate Reorganisation" in Appendix IV to this prospectus, the Company became the holding company of the companies now comprising the Group on 28 August 2013. Accordingly, for the purpose of the preparation of the financial information of the Group (the "Financial Information"), the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Chan prior to and after the Reorganisation.

FINANCIAL INFORMATION

The Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where this is a shorter period. The combined statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

FACTORS AFFECTING THE GROUP’S RESULTS OF OPERATIONS

The Directors consider the factors set forth below may have affected the Group’s business and historical financial results and may also affect its future financial results.

Market Demand

The Group’s results of operations are directly affected by the Group’s revenue, which in turn is a function of market demand of the Group’s products and the Group’s capacity to develop and sell the products. Market demand is significantly affected by factors including Hong Kong’s economy and the stock market sentiment.

Staff costs

The Group’s staff costs include salaries, wages and other benefits, which are major cost components of the Group’s operations. The staff costs classified as cost of sales represented approximately 50.3%, 76.8%, 78.9% and 85.4% of the Group’s cost of sales while the staff costs classified as administrative expenses represented approximately 75.0%, 49.4%, 56.9% and 25.3% respectively of the Group’s administrative expenses for the years ended 31 December 2011 and 2012 and the three months ended 31 March 2012 and 2013 respectively. The Group’s profitability may be adversely affected if staff costs borne by the Group rise materially.

Competition

The Directors consider that the Group faces potential competition from other trading and settlement system vendors. Should the Group fail to compete with its competitors, maintain its competitive advantages or respond rapidly to a fast changing business environment and customers’ requests, its operations could be adversely affected. Any increase in competition can adversely affect the Group’s market share, which may lead to price reductions. Any of these events could have a material adverse effect on the Group’s financial condition, results of operations and prospects. Please refer to the paragraph headed “Competition” under the section headed “Business” of this prospectus for further details.

CRITICAL ACCOUNTING POLICIES

The Group has identified certain accounting policies that are significant to the preparation of the combined financial statements in accordance with HKFRS. These significant accounting policies are important for an understanding of the financial condition and results of operation of the Group and are set forth in the Accountants' Report of the Company in Appendix I to this prospectus. Some of the accounting policies involve subjective assumptions and estimates, as well as complex judgement related to accounting items such as assets, liabilities, income and expenses. The Group bases its estimates on historical experience and other assumptions which the Group's management believes to be reasonable under the circumstances. Results may differ under different assumptions and conditions. The Group's management has identified the following accounting policies that are most critical to the preparation of the Group's combined financial statements.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business, net of discounts.

Revenue from sales of hardware is recognised upon satisfactory delivery and when title has passed to the customers.

Revenue from sales of customised software systems is recognised on the percentage of completion method, measured by reference to the proportion of service completed to date to the estimated total services of the relevant contract.

Revenue from provision of system customisation and network support services are recognised on completion of the customisation and network support work which generally coincides with the time when the customised software and network support work is accepted by the customers.

Revenue from provision of software maintenance services, licensing and hosting fees are recognised on a straight-line basis over the period of respective agreements.

Dividend income from investments is recognised when the shareholders' right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

FINANCIAL INFORMATION

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit/(loss) before tax” as reported in the combined statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and 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 each of the Track Record Period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases 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 deferred tax 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 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.

The carrying amount of deferred tax assets is reviewed at the end of each of the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax 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 each of the Track Record 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 each of the Track Record Period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the Track Record Period

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.

FINANCIAL INFORMATION

Intangible assets

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At the end of each of the Track Record Period, the Group reviews the carrying amounts of its tangible and intangible assets 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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.

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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 the asset may be impaired.

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 a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each of the Track Record Period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL INFORMATION

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" ("FVTPL"), "available-for-sale" ("AFS") financial assets and "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 instruments 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 instruments, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from financial assets at FVTPL is included in the “other gains and losses” line item in the combined statements of comprehensive income.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

AFS financial assets are measured at fair value at the end of each of the Track Record Period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulated gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each of the Track Record Period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, loan receivable from a related company, amount due from a related company and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each of the Track Record Period. Financial assets are considered to be impaired when 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 investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or

FINANCIAL INFORMATION

- 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 past the average credit period, 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 asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities 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.

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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 the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (other payables and amount due to a related company) are subsequently measured at 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.

Derecognition

The Group derecognises a financial asset 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's 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.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

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RESULTS OF OPERATIONS

The following table sets out a summary of the Group's combined financial results for each of the years ended 31 December 2011 and 2012, and the three months ended 31 March 2012 and 2013. For more detailed information, please refer to the Accountants' Report of the Company in Appendix I to this prospectus.

	Year ended 31 December 2011 <i>HK\$'000</i>	Year ended 31 December 2012 <i>HK\$'000</i>	Three months ended 31 March 2012 <i>HK\$'000</i> <i>(unaudited)</i>	Three months ended 31 March 2013 <i>HK\$'000</i>
Revenue	40,553	33,627	7,785	8,205
Cost of sales	<u>(12,171)</u>	<u>(11,001)</u>	<u>(2,388)</u>	<u>(2,181)</u>
Gross profit	28,382	22,626	5,397	6,024
Investment and other income	1,374	482	338	1
Other gains and losses	(1,247)	173	297	167
Administrative expenses	<u>(17,263)</u>	<u>(10,153)</u>	<u>(2,579)</u>	<u>(6,708)</u>
Profit/(loss) before tax	11,246	13,128	3,453	(516)
Income tax expense	<u>(2,069)</u>	<u>(1,909)</u>	<u>(485)</u>	<u>(490)</u>
Profit/(loss) for the year/period	<u>9,177</u>	<u>11,219</u>	<u>2,968</u>	<u>(1,006)</u>
Other comprehensive income, net of income tax				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Net fair value gain on available-for-sale financial assets	10	78	–	–
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year/period	<u>–</u>	<u>(70)</u>	<u>–</u>	<u>–</u>
Other comprehensive income for the year/period, net of income tax	<u>10</u>	<u>8</u>	<u>–</u>	<u>–</u>
Total comprehensive income/(expense) for the year/period	<u><u>9,187</u></u>	<u><u>11,227</u></u>	<u><u>2,968</u></u>	<u><u>(1,006)</u></u>

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PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

The Group's revenue mainly comprises income from the sale and lease of financial trading software solutions and the provision of related services.

A breakdown of revenue by business activities of the Group during the Track Record Period is set out as below:

	Year ended 31 December		Year ended 31 December		Three months ended 31 March			
	2011	2012	2011	2012	2012	2013	2012	2013
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	<i>(unaudited)</i>							
Sales of software systems	12,244	30.2	5,624	16.8	1,284	16.5	1,752	21.4
Sales of hardware	5,116	12.6	1,444	4.3	173	2.2	50	0.6
Lease of software systems	9,431	23.3	12,586	37.4	2,794	35.9	2,991	36.5
System customisation and network support income	4,413	10.9	4,314	12.8	1,587	20.4	802	9.8
Software maintenance fee income	6,569	16.2	7,726	23.0	1,394	17.9	2,197	26.8
Hosting fee income	2,149	5.3	1,685	5.0	428	5.5	358	4.3
Others	631	1.5	248	0.7	125	1.6	55	0.6
	<u>40,553</u>	<u>100.0</u>	<u>33,627</u>	<u>100.0</u>	<u>7,785</u>	<u>100.0</u>	<u>8,205</u>	<u>100.0</u>

Sales of software systems

Sales of software systems is recognised on the percentage of completion method, measured by reference to the proportion of service completed to date to the estimated total services of the relevant contract.

Generally, the Group recognised sales of software systems as revenue at the end of each stage of services rendered. The following is the stage of recognition of revenue:

Stage 1: upon completion of customer kick off meeting (this generally occurs shortly after signing of contract with customer).

Stage 2: upon installation of the software system at the customers' premises and receiving the delivery note or on-site services form from the customers (this generally occurs 2–8 months after signing of contract with customer).

Stage 3: upon commercial launch or acceptance of the software system by the customers (this generally occurs 3–10 months after signing of contract with customer).

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The Group adopts the accounting policy to recognise the sale of software systems in accordance with paragraph 20 and by reference to paragraph 19 of appendix of Hong Kong Accounting Standard 18 “Revenue” issued by the HKICPA, that “*fees from the development of customised software are recognised as revenue by reference to the stage of completion of development, including completion of services provided for post-delivery service support*”. Under this method, revenue is recognised in the accounting periods in which the services are rendered.

The Group pre-determines the number of stages needed for the development of the software system which is agreed with the customer in advance. The Group estimates number of tasks/services required in order to complete each stage and the payments/costs for each stage represents the percentage of tasks/services completed for the whole development of the systems. The Group pre-agrees with the customer on the payments for each stage and would recognise sales of software system as revenue upon completion of each stage of services rendered.

Sales of hardware

Sales of hardware is recognised when the goods are delivered and title has passed to the customers.

Lease of software systems

Provisions of software licensing are recognised on a straight-line basis over the period of respective agreements. The Group issues monthly invoices to those customers who have subscribed for the use of the Group’s software system and recognises the monthly fees as revenue when monthly services are rendered.

System customisation and network support income

Provision of system customisation and network support services are recognised on completion of the customisation and network support work which generally coincides with the time when the customised software and network support work is accepted by the customers.

Software maintenance fee income

Provision of software maintenance services are recognised on a straight-line basis over the period of respective agreements. The Group issues invoices on a monthly to annual basis to those customers who have contracted for the maintenance services for a certain period of time specified in the agreement. The Group recognises current month’s portion as revenue when monthly services are rendered and the rest is recorded to receipts in advance and amortised over the period of the agreement.

Hosting fee income

Provisions of hosting services are recognised on a straight-line basis over the period of respective agreements. The Group issues monthly invoices to those customers which have subscribed for the hosting services and recognises the monthly fees as revenue when such services are rendered.

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Cost of Sales

Cost of sales consists principally (i) direct staff cost, mainly being the staff cost of the Group's development team; (ii) purchase costs of hardware, principally being servers, for the Group's sale of hardware; and (iii) rental expenses of rack space in data centres and network systems for the Group's hosting service.

The following table sets out the summary of the Group's cost of sales by nature during the Track Record Period:

	Year ended		Three months ended	
	31 December		31 March	
	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Cost of hardware	4,308	1,064	104	28
System network rental	1,744	1,491	401	291
Direct staff cost	6,119	8,446	1,883	1,862
	<u>12,171</u>	<u>11,001</u>	<u>2,388</u>	<u>2,181</u>

Gross Profit and Gross Profit Margin

For the years ended 31 December 2011 and 2012, the Group's gross profit was approximately HK\$28,382,000 and HK\$22,626,000 respectively while the Group's gross profit margin was approximately 70.0% and 67.3% respectively.

For the three months ended 31 March 2012 and 2013, the Group's gross profit was approximately HK\$5,397,000 and HK\$6,024,000 respectively while the Group's gross profit margin was approximately 69.3% and 73.4% respectively.

For a company engaged in software development, the principal investment is the time and manpower spent on research and development of a software. After the software is developed, the company can enjoy the return from the sales of the software as long as its software has market demand. A software company usually has high gross profit margin as the direct cost to generate the relevant income is generally low. The Group has already developed a product line of trading and settlement systems before the Track Record Period. During the Track Record Period, apart from the cost of hardware which was related to its sale of hardware business and the system network rental which was related to its hosting services, the Group's cost of sales was principally the direct staff cost, which was a fixed cost in nature. Similar to other software companies, the Group's gross profit margin was high, being approximately 70.0% and 67.3% for the years ended 31 December 2011 and 2012 respectively and approximately 69.3% and 73.4% for the three months ended 31 March 2012 and 2013 respectively. As long as the Group can maintain the current level of software related income, the Directors are confident that the Group is able to maintain similar margins going forward.

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The following tables set out the breakdown of the Group's gross profit by business activities during the Track Record Period. Direct staff cost represents the cost of staff in the development team of the Group. Their job responsibilities are not restricted to a particular product/service. Accordingly it is not possible to identify the direct staff cost attributable to each business activity.

For the year ended 31 December 2011

	Sales of software systems <i>HK\$'000</i>	Sales of hardware <i>HK\$'000</i>	Lease of software systems <i>HK\$'000</i>	System customisation and network support income <i>HK\$'000</i>	Software maintenance fee income <i>HK\$'000</i>	Hosting fee income <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	12,244	5,116	9,431	4,413	6,569	2,149	631	40,553
Cost of sales (without direct staff cost)	–	(4,308)	–	–	–	(1,744)	–	(6,052)
Gross profit (without counting direct staff cost)	12,244	808	9,431	4,413	6,569	405	631	34,501
Direct staff cost								(6,119)
Gross profit								<u>28,382</u>

For the year ended 31 December 2012

	Sales of software systems <i>HK\$'000</i>	Sales of hardware <i>HK\$'000</i>	Lease of software systems <i>HK\$'000</i>	System customisation and network support income <i>HK\$'000</i>	Software maintenance fee income <i>HK\$'000</i>	Hosting fee income <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	5,624	1,444	12,586	4,314	7,726	1,685	248	33,627
Cost of sales (without direct staff cost)	–	(1,064)	–	–	–	(1,491)	–	(2,555)
Gross profit (without counting direct staff cost)	5,624	380	12,586	4,314	7,726	194	248	31,072
Direct staff cost								(8,446)
Gross profit								<u>22,626</u>

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For the three months ended 31 March 2013

	Sales of software systems <i>HK\$'000</i>	Sales of hardware <i>HK\$'000</i>	Lease of software systems <i>HK\$'000</i>	System customisation and network support income <i>HK\$'000</i>	Software maintenance fee income <i>HK\$'000</i>	Hosting fee income <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue	1,752	50	2,991	802	2,197	358	55	8,205
Cost of sales (without direct staff cost)	–	(28)	–	–	–	(291)	–	(319)
Gross profit (without counting direct staff cost)	1,752	22	2,991	802	2,197	67	55	7,886
Direct staff cost								(1,862)
Gross profit								6,024

Investment and Other Income

The following table sets out a breakdown of the Group's investment and other income during the Track Record Period:

	Year ended 31 December		Three months ended 31 March	
	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interest income on:				
Bank deposits	1	7	1	1
Available-for-sale investments	93	107	23	–
Loan from a related company	401	47	47	–
Total interest income	495	161	71	1
Sundry income	879	321	267	–
	1,374	482	338	1

For the years ended 31 December 2011 and 2012 and the three months ended 31 March 2012, the Group's investment and other income mainly comprised interest income on available-for-sale investments, interest income on loan from a related company and sundry income. The interest income on available-for-sale investments represented interest income from the Group's investment in an unlisted bond. The unlisted bond was the bond of a listed company in Hong Kong with fixed coupon interest rate of 6% per annum. The bond was disposed of in December 2012. Further details of the Group's available-for-sale investments are set out in the paragraph headed "Analysis of various items from the statements of financial position" under this section. The loan interest income from a related company was related to loans advanced by the Group to Fortune Grace, a company which is owned as to 70% by Mr. Chan. The loans comprised a loan of HK\$5 million drawn on 18 October 2010 for a term of 12 months and

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a loan of HK\$7.4 million drawn on 30 March 2011 for a term of 12 months. The interest rate of both loans was 5% per annum. The loans were fully repaid by April 2012. Sundry income principally comprised of rebate from hardware vendors and the forfeiture of deposit paid by certain customers due to their termination of contracts with the Group. The rebate from hardware vendors represented rebate given to the Group since the Group's purchase of hardware from them reached certain pre-agreed target. Certain customers terminated their contracts with the Group. According to the knowledge of the Directors, the terminations were mainly due to (i) customers switched to trading system of lower fee as offered by the Group's competitors; (ii) the customer's business operation had changed or ceased; and (iii) customers requested further requirement on original signed contract, but failed to agree on revised fee after negotiations.

For the three months ended 31 March 2013, the Group's investment and other income only comprised interest income on bank deposits.

Other Gains and Losses

The following table sets out a breakdown of the other gains and losses during the Track Record Period:

	Year ended		Three months ended	
	31 December		31 March	
	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Dividend income from				
held-for-trading investments	28	33	–	–
Cumulative gain reclassified				
from equity to profit or loss				
on disposal of				
available-for-sale investments	–	70	–	–
Impairment loss on				
available-for-sale investments	–	(46)	–	–
(Loss)/gain arising on change in				
fair value of financial assets				
classified as held-for-trading	(2,043)	175	43	–
Net foreign exchange				
gain/(loss)	182	(1)	(1)	(1)
Loss on disposal of property,				
plant and equipment	–	(30)	–	–
Impairment losses on trade				
receivables	(669)	(283)	–	–
Reversal of impairment losses				
on trade receivables	1,255	255	255	168
	<u>1,255</u>	<u>255</u>	<u>255</u>	<u>168</u>
	<u>(1,247)</u>	<u>173</u>	<u>297</u>	<u>167</u>

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For the year ended 31 December 2011, other gains and losses comprised dividend income from held-for-trading investments, loss arising on change in fair value of financial assets classified as held-for-trading, net foreign exchange gain, impairment losses on trade receivables and reversal of impairment losses on trade receivables. For the year ended 31 December 2012, other gains and losses comprised dividend income from held-for-trading investments, cumulative gain reclassified from equity to profit or loss on disposal of available-for-sale investments, impairment loss on available-for-sale investments, gain arising on change in fair value of financial assets classified as held-for-trading, net foreign exchange loss, loss on disposal of property, plant and equipment, impairment losses on trade receivables and reversal of impairment losses on trade receivables.

For the three months ended 31 March 2012, other gains and losses comprised gain arising on change in fair value of financial assets classified as held-for-trading, net foreign exchange loss and reversal of impairment losses on trade receivables. For the three months ended 31 March 2013, other gains and losses comprised net foreign exchange loss and reversal of impairment losses on trade receivables.

The held-for-trading investments represented equity securities listed in Hong Kong and Singapore. The loss arising on change in fair value of the equity securities for the year ended 31 December 2011 was due to the decline in the market prices of securities held by the Group for investment purpose. As at 31 December 2011, the fair value of the Group's listed securities portfolio amounted to approximately HK\$624,000. No such loss was recognised for the year ended 31 December 2012 as the Group disposed of a substantial portion of its investments in December 2012. Instead, gain arising on change in fair value of the equity securities of approximately HK\$175,000 was recorded for the year ended 31 December 2012, representing the difference between the fair value of the equity securities at the time of disposal and 31 December 2011. In addition, the equity securities in Singapore had been delisted and accordingly, the Group reclassified such investment into available-for-sale investment and subsequently an impairment loss of approximately HK\$46,000 was recognised during the year ended 31 December 2012.

The available-for-sale investments represented the Group's investment in an unlisted bond. The bond was disposed of in December 2012 and a cumulative gain of approximately HK\$70,000 was recorded.

As the Group has disposed of or impaired all of its available-for-sale investments and held-for-trading investments during the year ended 31 December 2012, no other gains and losses were recorded from such investments for the three months ended 31 March 2013.

Further details of the Group's held-for-trading investments and available-for-sale investments are set out in the paragraph headed "Analysis of various items from the statements of financial position" under this section.

Reversal of impairment losses on trade receivables was due to written back of provision of doubtful debts from previous years.

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Administrative Expenses

The following table sets out the Group's administrative expenses by nature during the Track Record Period:

	Year ended 31 December		Three months ended	
			31 March	
	2011	2012	2012	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Staff costs	12,945	5,018	1,467	1,694
Rental and utility expenses	2,565	2,689	737	586
Depreciation expenses	578	377	122	69
Listing expenses	–	789	–	3,940
Others	1,175	1,280	253	419
	<u>17,263</u>	<u>10,153</u>	<u>2,579</u>	<u>6,708</u>

The Group's administrative expenses for the year ended 31 December 2011 consisted primarily of salaries and staff related expenses, rental and utility expenses and fixed asset depreciation expenses. The Group's administrative expenses for the year ended 31 December 2012 consisted primarily of salaries and staff related expenses, rental and utility expenses, fixed asset depreciation expenses and Listing expenses. The Group's administrative expenses for the three months ended 31 March 2012 consisted primarily of salaries and staff related expenses, rental and utility expenses and fixed asset depreciation expenses. The Group's administrative expenses for the three months ended 31 March 2013 consisted primarily of salaries and staff related expenses, rental and utility expenses, fixed asset depreciation expenses and Listing expenses.

Income Tax Expense

The Group's revenue was derived in Hong Kong, and the Group was subject to profits tax in Hong Kong.

Provision for Hong Kong profits tax is provided at the statutory profits tax rate of 16.5% of the estimated assessable profits for the Track Record Period.

The effective tax rate of the Group for the years ended 31 December 2011 and 2012 was approximately 18.4% and 14.5% respectively. The reason for the difference between the effective tax rate and the statutory tax rate for the year ended 31 December 2011 was primarily due to the tax effect of expenses not deductible for tax purpose. The difference between the effective tax rate and the statutory tax rate for the year ended 31 December 2012 was primarily due to the over provision in previous years and the tax effect of deductible temporary differences not recognised, mainly being the research and development costs capitalised.

The effective tax rate of the Group for the three months ended 31 March 2012 was approximately 14.0%. The reason for the difference between the effective tax rate and the statutory tax rate for the three months ended 31 March 2012 was primarily due to the tax effect of income not taxable for tax purpose and tax effect of deductible temporary differences not recognised.

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For the three months ended 31 March 2013, the Group recorded income tax expense of approximately HK\$490,000 although it recorded a loss before tax of approximately HK\$516,000, which was primarily due to the tax effect of expenses not deductible for tax purpose and such non-deductible expenses comprised mainly Listing expenses.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year ended 31 December 2012 compared with year ended 31 December 2011

Revenue

The Group's revenue decreased by approximately 17.1% from approximately HK\$40,553,000 for the year ended 31 December 2011 to approximately HK\$33,627,000 for the year ended 31 December 2012. The decrease in revenue was mainly attributable to reduction of the Group's sales of software systems and sales of hardware.

A breakdown of revenue by business activities of the Group for each of the years ended 31 December 2011 and 2012 is set out as below:

	Year ended 31 December			
	2011		2012	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Sales of software systems	12,244	30.2	5,624	16.8
Sales of hardware	5,116	12.6	1,444	4.3
Lease of software systems	9,431	23.3	12,586	37.4
System customisation and network support income	4,413	10.9	4,314	12.8
Software maintenance fee income	6,569	16.2	7,726	23.0
Hosting fee income	2,149	5.3	1,685	5.0
Others	631	1.5	248	0.7
	<u>40,553</u>	<u>100.0</u>	<u>33,627</u>	<u>100.0</u>

Sales of software systems

The Group's revenue derived from the sales of software systems recorded a decrease of approximately 54.1% from approximately HK\$12,244,000 for the year ended 31 December 2011 to approximately HK\$5,624,000 for the year ended 31 December 2012. Such a decrease was mainly a result of more customers showing preference for lease of software systems in 2012. As advised by the Directors, due to the forthcoming transition of the trading platforms of HKEx and the stagnant financial market of Hong Kong, the customers are reluctant to invest heavily in new trading systems. Therefore, the customers of the Group who demanded for new sets of software system showed preference for lease of software systems during 2012.

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Sales of hardware

The Group's revenue derived from the sales of hardware recorded a decrease of approximately 71.8% from approximately HK\$5,116,000 for the year ended 31 December 2011 to approximately HK\$1,444,000 for the year ended 31 December 2012. Such a decrease was mainly a result of the Group's focus on its core business operations, i.e. sale and lease of financial trading software solutions and the provision of related services.

Lease of software systems

The Group's revenue derived from the lease of software systems recorded an increase of approximately 33.5% from approximately HK\$9,431,000 for the year ended 31 December 2011 to approximately HK\$12,586,000 for the year ended 31 December 2012. The increase was mainly resulted from (i) leases from new customers were secured during the year; (ii) certain existing customers entered into new lease contracts with the Group with products upgraded and accordingly their lease fees increased; and (iii) the recognition of residual licence fee agreed with CGSE in relation to the monthly fee charged by the Group to CGSE based on the number of user licences of the Bullion Trading System granted to members of CGSE.

System customisation and network support income

The Group's system customisation and network support income for the year ended 31 December 2012 remained at similar level to that for the year ended 31 December 2011.

Software maintenance fee income

The Group's software maintenance fee income recorded an increase of approximately 17.6% from approximately HK\$6,569,000 for the year ended 31 December 2011 to approximately HK\$7,726,000 for the year ended 31 December 2012. Such an increase was mainly as a result of the increase in number of customers subscribing for the Group's maintenance services. As mentioned in the paragraph headed "Revenue model" under the section headed "Business" of this prospectus, any increase or decrease in the sales of software systems or customisation fees will only affect the growth rate of the maintenance fee of the Group assuming that the existing maintenance contracts of the Group will continue. Accordingly the Directors expect that the decrease in sales of software systems and customisation fees in 2012 will affect the growth rate of the maintenance fee of the Group in 2013 such that it will be lower than approximately 17.6% of the Group's revenue in 2012.

Hosting fee income

The Group's hosting fee income recorded a decrease of approximately 21.6% from approximately HK\$2,149,000 for the year ended 31 December 2011 to approximately HK\$1,685,000 for the year ended 31 December 2012. Such a decrease was mainly a result of the cessation of subscription for hosting service by certain customers.

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Cost of sales

The Group's cost of sales decreased by approximately 9.6% from approximately HK\$12,171,000 for the year ended 31 December 2011 to approximately HK\$11,001,000 for the year ended 31 December 2012. The decrease in the Group's cost of sales was mainly related to the decrease in purchase of hardware, which was resulted from the decrease in sales of hardware by the Group. On the other hand, the direct staff costs increased from approximately HK\$6,119,000 for the year ended 31 December 2011 to approximately HK\$8,446,000 for the year ended 31 December 2012, which was principally resulted from (i) the increase in salary during the year ended 31 December 2012; and (ii) the increase in number of staff classified as "direct staff" for the year ended 31 December 2012. Direct staff cost represents the cost of staff who is directly engaged in providing service to customers. For the year ended 31 December 2012, the Group has increased the number of staff to perform such duties, accordingly, salaries of those staff were classified as direct staff cost rather than administrative expenses.

Gross profit

The Group's gross profit decreased by approximately 20.3% from approximately HK\$28,382,000 for the year ended 31 December 2011 to approximately HK\$22,626,000 for the year ended 31 December 2012. The Group's gross profit margin for the years ended 31 December 2011 and 2012 were approximately 70.0% and 67.3% respectively. The decrease in gross profit margin of the Group was resulted from the increase in direct staff cost as mentioned above and the drop in the Group's revenue. As the direct staff cost which mainly represents the staff cost of the development team of the Group is fixed cost in nature, a drop in the revenue of the Group resulted in a drop of gross profit margin.

Investment and other income

The Group's investment and other income decreased by approximately 64.9% from approximately HK\$1,374,000 for the year ended 31 December 2011 to approximately HK\$483,000 for the year ended 31 December 2012. Such decrease was mainly due to reduction of interest income on loan from a related company and sundry income. The reduction of interest income from a related company was resulted from the repayment of loans in April 2012. The reduction in sundry income was due to the decrease in rebate granted by hardware vendors, which in turn was due to decrease in purchase of hardware.

Other gains and losses

The Group's other gains and losses turned around from net losses of approximately HK\$1,247,000 for the year ended 31 December 2011 to net gains of approximately HK\$173,000 for the year ended 31 December 2012. For the year ended 31 December 2011, the Group recognised loss arising on change in fair value of financial assets classified as held-for-trading as a result of the decline in the market prices of equity securities held by the Group. During the year ended 31 December 2012, a substantial portion of the Group's investment in equity securities was disposed of and no such loss arising on change in fair value was recognised. Instead, gain arising on change in fair value of the equity securities of approximately HK\$175,000 was recorded for the year ended 31 December 2012, representing the difference between the fair value of the equity securities at the time of disposal and 31 December 2011.

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Administrative expenses

Staff costs

The Group's administrative expenses were approximately HK\$17,263,000 and approximately HK\$10,153,000 for the years ended 31 December 2011 and 2012 respectively, representing approximately 42.6% and 30.2% of the Group's revenue respectively for the same year. The reduction of administrative expenses was principally resulted from the reduction of staff costs. The Group's staff costs include salaries, wages and other benefits. For the year ended 31 December 2011, a provision of bonus of HK\$4,100,000 was recognised in view of the performance of the Group and all the bonus was classified as administrative expenses. The making of provision of bonus and payment of bonus were at the discretion of the Group's management and were not expressly stipulated in the Group's employment contracts. At the time of determining the provision of bonus to be made for accounting purpose, the Group determined the provision in an aggregate basis for all its staff and had not decided the bonus entitlement for each staff. Accordingly, all the provision of bonus was classified as administrative expenses. The bonus expenses were determined by the management in accordance with the Group's result of the operations and financial conditions. Moreover, staff costs of approximately HK\$1,142,000, representing research and development costs, was capitalised as intangible assets for the year ended 31 December 2012. In addition, more staff were classified as "direct staff" for the year ended 31 December 2012, details of which are set out in the sub-paragraph headed "Cost of sales" above in this section. As a result, although the salary of the Group's staff increased during the year ended 31 December 2012, the staff costs classified as administrative expenses decreased.

The calculation basis for the bonus provision was based on the Group's profitability. In particular, for the years ended 31 December 2010 and 2011, the Group's management had made reference to the earnings before interest, taxation and amortisation expenses ("EBITA"). The management adopted the basis of computation for the years ended 31 December 2010 and 2011 as for every HK\$5,000,000 of EBITA, one month salary will be provided for and treated as bonus provision. Thus, the Group made HK\$3,500,000 bonus provision, representing approximately 3 times of the aggregate monthly payroll of the Group for the year ended 31 December 2011.

Although the Group still recorded a EBITA of approximately HK\$13,000,000 for the year ended 31 December 2012, the management took into consideration the amount of the Listing expenses and therefore no bonus provision was made.

The timing of the actual payment of the bonus (which has already been recorded as provision in the Group's financial statements) was at the discretion of the Group's management depending on the Group's liquidity. The bonus provided for the year ended 31 December 2011 was partly paid in February 2013. As at the Latest Practicable Date, the outstanding bonus provision was approximately HK\$1.0 million. Entitlement to the discretionary bonus is based upon individual staff's performance appraisal. No related party of the Group paid any fee, salary or bonus to the Directors or employees of the Group during the Track Record Period.

Listing expenses

Transaction costs of an initial public offer involve both issuance of new shares and a stock market listing. With reference to the applicable accounting standards, incremental costs that are directly attributable to issuing new shares are deducted from equity and costs that relate to the stock market

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Listing, or are otherwise not incremental and directly attributable to issuing new shares are recognised as an expense in the combined statements of comprehensive income. Certain costs are solely related to the issue of new shares. They are incremental costs and directly attributable to the issue of new shares, therefore, they are accounted for as a deduction in equity. The costs allocated to the listing of existing shares are recognised as an expense in the period when the services have been rendered. For those transaction costs that relate to both share issuance and listing, the allocation is made using a rational and consistent basis.

No Listing expenses were recognised for the year ended 31 December 2011. The Company has engaged the professional parties, including the Sponsor, the Company's Hong Kong legal advisers, Cayman Islands legal advisers, legal advisers to the Sponsor and the reporting accountants, for the Listing since the beginning of November 2012. For certain professional parties engaged, a payment on account was required upon acceptance of their respective mandate and the Company has made payment on accounts of approximately HK\$2,528,000 during the year ended 31 December 2012. Although the Listing exercise commenced in the end of the year ended 31 December 2012, only inconsiderable amount of work was performed by the professional parties during the year ended 31 December 2012. An amount of approximately HK\$789,000 of the payment on accounts was recognised as Listing expenses during the year ended 31 December 2012. The remaining balance of approximately HK\$1,739,000 represented upfront payments made by the Company for services yet to be rendered by the professional parties and were included as prepayments in the combined statements of financial position as at 31 December 2012. Such amount would be offset against the share premium accounts in equity upon Listing or expected to be charged to the combined statements of comprehensive income for the year ending 31 December 2013 when such services are completely rendered.

Income tax expense

The Group's income tax expense decreased by approximately HK\$160,000 from approximately HK\$2,069,000 for the year ended 31 December 2011 to approximately HK\$1,909,000 for the year ended 31 December 2012. The profit before tax increased from approximately HK\$11,246,000 for the year ended 31 December 2011 to approximately HK\$13,128,000 for the year ended 31 December 2012. The effective tax rate of the Group for the years ended 31 December 2011 and 2012 was approximately 18.4% and 14.5% respectively. The difference between the effective tax rate and the statutory tax rate for the year ended 31 December 2011 was primarily due to the tax effect of expenses not deductible for tax purpose. The difference between the effective tax rate and the statutory tax rate for the year ended 31 December 2012 was primarily due to the over provision in previous years and the tax effect of deductible temporary differences not recognised, mainly being the research and development costs capitalised.

Profit for the year

Net profit increased by approximately HK\$2,042,000 from approximately HK\$9,177,000 for the year ended 31 December 2011 to approximately HK\$11,219,000 for the year ended 31 December 2012, representing an increase of approximately 22.3%. In terms of the Group's net profit margin, it increased from approximately 22.6% for the year ended 31 December 2011 to approximately 33.4% for the year ended 31 December 2012. The increase was primarily due to (i) reduction of total staff costs since provision of bonus of approximately HK\$4,100,000 was recorded in 2011 compared with nil in 2012; and (ii) reduction in loss arising on change in fair value of the Group's investments.

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Three months ended 31 March 2013 compared with three months ended 31 March 2012

Revenue

The Group's revenue increased by approximately 5.4% from approximately HK\$7,785,000 for the three months ended 31 March 2012 to approximately HK\$8,205,000 for the three months ended 31 March 2013. The slight increase was mainly due to increase in sales of software systems and software maintenance fee income.

A breakdown on revenue by business activities of the Group for the three months ended 31 March 2012 and 2013 is set out as below:

	Three months ended 31 March		2013	
	2012		2013	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
	<i>(unaudited)</i>			
Sales of software systems	1,284	16.5	1,752	21.4
Sales of hardware	173	2.2	50	0.6
Leasing of software systems	2,794	35.9	2,991	36.5
System customisation and network support income	1,587	20.4	802	9.8
Software maintenance fee income	1,394	17.9	2,197	26.8
Hosting fee income	428	5.5	358	4.3
Others	125	1.6	55	0.6
	7,785	100.0	8,205	100.0

Sales of software systems

The Group's revenue derived from the sales of software systems recorded an increase of approximately 36.4% from approximately HK\$1,284,000 for the three months ended 31 March 2012 to approximately HK\$1,752,000 for the three months ended 31 March 2013. The Group signed new contracts of sale of software systems (comprising new set of software and modules) during the first three months of 2012 and 2013. The total contract values of these contracts were approximately HK\$179,000 and HK\$2,642,000 for the three months ended 31 March 2012 and 2013 respectively. There was one sale of new set of software system during the three months ended 31 March 2013 with a contract value of approximately HK\$1,100,000 while there was no sale of new set of software system during the three months ended 31 March 2012. Based on the Group's accounting policy, the revenue was recognised on the percentage of completion method and the amounts of approximately HK\$179,000 and HK\$1,282,000 were recognised as revenue from the new contracts in relation to sale of software systems for the three months ended 31 March 2012 and 2013 respectively. As a result, the revenue increased during the three months ended 31 March 2013 because the contract values increased as compared to those of the three months ended 31 March 2012.

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Sales of hardware

The Group's revenue derived from the sales of hardware recorded a decrease of approximately 71.1% from approximately HK\$173,000 for the three months ended 31 March 2012 to approximately HK\$50,000 for the three months ended 31 March 2013. Such a decrease was mainly a result of the Group's focus on its core business operations, i.e. sale and lease of financial trading software solutions and the provision of related services.

Lease of software systems

The Group's revenue derived from the lease of software systems recorded an increase of approximately 7.1% from approximately HK\$2,794,000 for the three months ended 31 March 2012 to approximately HK\$2,991,000 for the three months ended 31 March 2013. The increase was mainly resulted from (i) leases secured from new customers during the period; and (ii) new lease contracts entered into between certain existing customers and the Group with the products upgraded and accordingly lease fees increased.

System customisation and network support income

The Group's revenue derived from system customisation and network support income recorded a decrease of approximately 49.5% from approximately HK\$1,587,000 for the three months ended 31 March 2012 to approximately HK\$802,000 for the three months ended 31 March 2013. As advised by the Directors, the customers intended to postpone their requests for customisation to a date after the upcoming transition of trading platforms of HKEx.

Software maintenance fee income

The Group's software maintenance fee income recorded an increase of approximately 57.6% from approximately HK\$1,394,000 for the three months ended 31 March 2012 to approximately HK\$2,197,000 for the three months ended 31 March 2013. Such increase was mainly a result of the increase in the number of customers subscribing for the Group's maintenance services.

Hosting fee income

The Group's hosting fee income recorded a decrease of approximately 16.4% from approximately HK\$428,000 for the three months ended 31 March 2012 to approximately HK\$358,000 for the three months ended 31 March 2013. Such decrease was mainly a result of the cessation of subscription for hosting service by certain customers.

Cost of sales

The Group's cost of sales decreased by approximately 8.7% from approximately HK\$2,388,000 for the three months ended 31 March 2012 to approximately HK\$2,181,000 for the three months ended 31 March 2013. The decrease in the Group's cost of sales was mainly related to (i) the decrease in purchase of hardware, which was resulted from the decrease in sales of hardware by the Group; and (ii) the decrease in system network rental which was resulted from the decrease in hosting fee income.

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Gross profit

The Group's gross profit increased by approximately 11.6% from approximately HK\$5,397,000 for the three months ended 31 March 2012 to approximately HK\$6,024,000 for the three months ended 31 March 2013. The Group's gross profit margin for the three months ended 31 March 2012 and 2013 were approximately 69.3% and 73.4% respectively. The increase in gross profit margin of the Group was mainly resulted from the increase in revenue. As the direct staff cost mainly comprises the staff cost of the development team which is fixed cost in nature, a growth in the revenue of the Group resulted in an increase in gross profit margin.

Investment and other income

The Group's investment and other income decreased by approximately 99.7% from approximately HK\$338,000 for the three months ended 31 March 2012 to approximately HK\$1,000 for the three months ended 31 March 2013. Such decrease was mainly due to reduction of interest income on available-for-sale investments, loan from a related company and sundry income. The reduction of interest income on available-for-sale investments was resulted from the Group's disposal of all the investments in December 2012 and the reduction of interest income from a related company after repayment of loans in April 2012. The reduction in sundry income was due to the decrease in rebate granted by hardware vendors, which in turn was due to decrease in purchase of hardware.

Other gains and losses

The Group's other gains and losses decreased by approximately 43.8% from approximately HK\$297,000 for the three months ended 31 March 2012 to approximately HK\$167,000 for the three months ended 31 March 2013. Such decrease was mainly due to reduction in gain arising on change in fair value of financial assets classified as held-for-trading and decrease in reversal of impairment losses on trade receivables. As the Group disposed of or impaired all of its held-for-trading investments in 2012, no gain arising on change in fair value of such investments was recorded for the three months ended 31 March 2013.

Administrative expenses

The Group's administrative expenses were approximately HK\$2,579,000 and HK\$6,708,000 for the three months ended 31 March 2012 and 2013 respectively, representing approximately 33.1% and 81.8% of the Group's revenue respectively for the same periods. The increase in administrative expenses was principally due to increase in Listing expenses for the three months ended 31 March 2013, which amounted to approximately HK\$3,940,000 while it was nil for the three months ended 31 March 2012. The staff costs increased by approximately 15.5% from approximately HK\$1,467,000 for the three months ended 31 March 2012 to approximately HK\$1,694,000 for the three months ended 31 March 2013. The increase was mainly due to increase in salary.

Income tax expense

The Group's income tax expense increased by approximately HK\$5,000 from approximately HK\$485,000 for the three months ended 31 March 2012 to approximately HK\$490,000 for the three months ended 31 March 2013. The profit before tax decreased from HK\$3,453,000 for the three months ended 31 March 2012 to a loss before tax of approximately HK\$516,000 for the three months ended 31 March 2013.

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The effective tax rate of the Group for the three months ended 31 March 2012 was approximately 14.0%. The difference between the effective tax rate and the statutory tax rate for the three months ended 31 March 2012 was primarily due to the tax effect of income not taxable for tax purpose and tax effect of deductible temporary differences not recognised.

For the three months ended 31 March 2013, the Group recorded income tax expense of approximately HK\$490,000 although it recorded a loss before tax of approximately HK\$516,000, which was primarily due to the tax effect of expenses not deductible for tax purpose and such non-deductible expenses comprised mainly Listing expenses.

Profit/(loss) for the period

The Group's profit deteriorated from a profit of approximately HK\$2,968,000 for the three months ended 31 March 2012 to a loss of approximately HK\$1,006,000 for the three months ended 31 March 2013. Such a loss was mainly due to an increase in Listing expenses incurred during the three months ended 31 March 2013.

LIQUIDITY AND CAPITAL RESOURCES

Prior to the completion of the Placing, the Group's operations are financed principally by revenue generated from business operations. The Group intends to finance its future operations, capital expenditure and other capital requirements with revenue generated from its business operations and the net proceeds from the Placing.

Cash Flows

The following table is a summary of the Group's cash flows during the Track Record Period:

	Year ended 31 December		Three months ended	
	2011	2012	31 March	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Net cash generated by/(used in) operating activities	10,656	10,519	3,518	(3,069)
Net cash (used in)/generated by investing activities	(461)	5,914	2,147	(364)
Net cash used in financing activities	(17,920)	(3,522)	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(7,725)	12,911	5,665	(3,433)
Cash and cash equivalents at the beginning of year/period	14,333	6,608	6,608	19,519
	<hr/>	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at the end of year/period	<u>6,608</u>	<u>19,519</u>	<u>12,273</u>	<u>16,086</u>

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Net Cash Generated by/(Used in) Operating Activities

The Group derives its cash inflows from operating activities principally from the receipt of payments from sale of its products and provision of services. The Group's cash outflows from operating activities are principally the payment for purchases of hardware and other operating expenses.

For the three months ended 31 March 2013, net cash used in operating activities was approximately HK\$3,069,000. Cash used in operations primarily reflected (i) the loss before tax of approximately HK\$516,000, as adjusted for profit or loss items with no operating cash effect, such as (a) depreciation of property, plant and equipment of approximately HK\$69,000; and (b) reversal of impairment losses on trade receivables of approximately HK\$168,000; and (ii) change in working capital primarily due to decrease in trade and other receivables by approximately HK\$158,000; offset by decrease in other payables by approximately HK\$2,612,000. The decrease in other payables was primarily due to payment of accrued bonus of approximately HK\$3,094,000 to staff during the three months ended 31 March 2013.

For the year ended 31 December 2012, net cash generated by operating activities was approximately HK\$10,519,000. Cash generated from operations primarily reflected (i) the profit before tax of HK\$13,128,000, as adjusted for profit or loss items with no operating cash effect, such as (a) depreciation of property, plant and equipment of approximately HK\$377,000; and (b) gain arising on change in fair value of held-for-trading investment of approximately HK\$175,000; and (ii) change in working capital primarily due to the decrease in amount due from a related company by approximately HK\$1,149,000; offset by the decrease in other payables by approximately HK\$2,550,000. The decrease in other payables was primarily due to the payment of accrued bonus of approximately HK\$2,180,000 during the year ended 31 December 2012.

For the year ended 31 December 2011, net cash generated by operating activities was approximately HK\$10,656,000. Cash generated from operations primarily reflected (i) the profit before tax of HK\$11,246,000, as adjusted for profit or loss items with no operating cash effect, such as (a) loss arising on change in fair value of held-for-trading investments of approximately HK\$2,043,000; (b) net effect of reversal of impairment losses on trade receivables of approximately HK\$586,000; and (c) depreciation of property, plant and equipment of approximately HK\$578,000; and (ii) the changes in working capital primarily due to the increase in other payables by approximately HK\$2,079,000; offset by (a) the increase in held-for-trading investments by approximately HK\$1,026,000; and (b) the increase in amount due from a related company by approximately HK\$1,139,000. The increase in other payables in the year ended 31 December 2011 was primarily due to the increase in provision of bonus by approximately HK\$2,100,000.

Net Cash (Used in)/Generated by Investing Activities

The Group's cash flows from investing activities principally comprised of interest received, repayment of loan from a related company, purchase of property, plant and equipment, proceeds from disposal of available-for-sale investments and payments for intangible assets.

For the three months ended 31 March 2013, the net cash used in investing activities was approximately HK\$364,000, which comprised mainly of (i) purchase of property, plant and equipment of approximately HK\$14,000; and (ii) payments for intangible assets of approximately HK\$350,000.

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For the year ended 31 December 2012, the net cash generated from investing activities was approximately HK\$5,914,000, which comprised of (i) interest received of approximately HK\$613,000; (ii) repayment of loan from a related company of HK\$5,000,000; and (iii) proceeds from disposal of available-for-sale investments of approximately HK\$1,630,000, offset by (i) purchase of property, plant and equipment of approximately HK\$187,000; and (ii) payments for intangible assets of approximately HK\$1,142,000.

For the year ended 31 December 2011, the net cash used in investing activities was approximately HK\$461,000, which comprised purchase of property, plant and equipment of approximately HK\$462,000 and offset by interest received of approximately HK\$1,000.

Net Cash Used in Financing Activities

There was no net cash used in or generated by financing activities for the three months ended 31 March 2013.

The net cash used in financing activities in the year ended 31 December 2012 represented payment of dividend of approximately HK\$3,600,000 and offset by proceeds from issue of shares of approximately HK\$78,000.

The net cash used in financing activities in the year ended 31 December 2011 represented payment of dividend of approximately HK\$17,920,000.

NET CURRENT ASSETS

The following table sets forth the breakdown of the Group's current assets and liabilities as at 31 December 2011, 31 December 2012, 31 March 2013 and 31 July 2013:

	As at 31 December 2011 HK\$'000	As at 31 December 2012 HK\$'000	As at 31 March 2013 HK\$'000	As at 31 July 2013 HK\$'000 (unaudited)
Current assets				
Held-for-trading investments	624	–	–	–
Trade and other receivables	5,642	5,164	5,174	5,231
Loan receivable from a related company	5,452	–	–	–
Amount due from a related company	1,149	–	–	–
Cash and bank balances	6,608	19,519	16,086	18,614
	19,475	24,683	21,260	23,845

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	As at 31 December 2011 <i>HK\$'000</i>	As at 31 December 2012 <i>HK\$'000</i>	As at 31 March 2013 <i>HK\$'000</i>	As at 31 July 2013 <i>HK\$'000</i> <i>(unaudited)</i>
Current liabilities				
Other payables	15,826	13,277	10,666	10,010
Amount due to a related company	1	–	–	–
Current tax liabilities	606	28	519	1,274
	16,433	13,305	11,185	11,284
Net current assets	3,042	11,378	10,075	12,561

As at 31 July 2013, the net current assets of the Group were approximately HK\$12,561,000. The components of the Group's current assets as at such date comprised trade and other receivables of approximately HK\$5,231,000 and cash and bank balances of approximately HK\$18,614,000. The components of the Group's current liabilities as at such date comprised other payables of approximately HK\$10,010,000 and current tax liabilities of approximately HK\$1,274,000.

As at 31 March 2013, the net current assets of the Group were approximately HK\$10,075,000. The components of the Group's current assets as at such date comprised trade and other receivables of approximately HK\$5,174,000 and cash and bank balances of approximately HK\$16,086,000. The components of the Group's current liabilities as at such date comprised other payables of approximately HK\$10,666,000 and current tax liabilities of approximately HK\$519,000.

As at 31 December 2012, the net current assets of the Group were approximately HK\$11,378,000. The components of the Group's current assets as at such date comprised trade and other receivables of approximately HK\$5,164,000 and cash and bank balances of approximately HK\$19,519,000. The components of the Group's current liabilities as at such date comprised other payables of approximately HK\$13,277,000 and current tax liabilities of approximately HK\$28,000.

As at 31 December 2011, the net current assets of the Group were approximately HK\$3,042,000. The components of the Group's current assets as at such date comprised held-for-trading investments of approximately HK\$624,000, trade and other receivables of approximately HK\$5,642,000, loan receivable from a related company of approximately HK\$5,452,000, amount due from a related company of approximately HK\$1,149,000 and cash and bank balances of approximately HK\$6,608,000. The components of the Group's current liabilities as at such date comprised other payables of approximately HK\$15,826,000, amount due to a related company of approximately HK\$1,000 and current tax liabilities of approximately HK\$606,000.

As at 31 December 2012, the net current assets of the Group were approximately HK\$11,378,000, representing an increase of approximately HK\$8,336,000 from that of the Group as at 31 December 2011. The increase was primarily due to (i) the cash flow generated from the profitable operations of the Group during the year; and (ii) the disposal of a bond, which was classified as non-current assets.

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As at 31 March 2013, the net current assets of the Group decreased to approximately HK\$10,075,000. The decrease was primarily due to the loss recorded for the three months ended 31 March 2013.

As at 31 July 2013, the net current assets of the Group increased to approximately HK\$12,561,000. The increase was primarily due to the cash flow generated from profitable operations of the Group for the four months ended 31 July 2013.

ANALYSIS OF VARIOUS ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION

Intangible assets

Research costs are recognised as an expense in the period in which it is incurred. Development costs that are directly attributable to the design and testing of identifiable systems and satisfied the criteria as set in the HKFRS are capitalised and will be amortised over the estimated useful life of the new systems once they are available for use. For the year ended 31 December 2011, no such capitalisation has been made by the Group.

The Group has applied Hong Kong Accounting Standard 38 “Intangible Assets” (“HKAS 38”) issued by the HKICPA which allows internally-generated intangible assets to be capitalised only if it meets the criteria as set out in the standard. Expenditure on research activities is recognised as an expense in period in which it is incurred.

Expenditure on development that is directly attributable to the design and testing of identifiable systems are recognised as intangible assets only if all of the following criteria are met:

- the technical feasibility of completing the asset so that it will be available for use or sale;
- the intention to complete the asset and use or sell it;
- the ability to use or sell the asset;
- how the asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the asset or the asset itself or, if it is to be used internally, the usefulness of the asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the asset; and
- the ability to measure reliably the expenditure attributable to the asset during its development.

Development costs that do not fulfill the above conditions are recognised as expenses in the period in which they are incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

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Prior to the Track Record Period, the Group's development team was responsible for improvement of the Group's software systems as well as daily development works of customisation functions involved in the sale of software systems. Since the Group used a less formal costing system to measure the expenditure attributable to the development of such systems, for the Group was unable to distinguish the costs of developing the trading and settlement systems from the costs of developing the business as a whole and the expenditure could not be allocated separately to any specific system. In addition, the organisation structure of the Group is simple and less formal and the Group did not have a detailed budget plan on the availability of technical, financial and other resources to complete the development on launching the trading and settlement systems.

Based on the above, the Group considered that the expenditure on such development activities did not meet the criteria as required under HKAS 38. Accordingly, no expenditures were capitalised as internally-generated intangible assets prior to the Track Record Period.

Beginning the year 2011, the Group has formulated a number of new procedures for the development of its new systems. These procedures include commissioning and assessing the design specifications of the new systems, assigning which members are to develop the systems, preparing a detailed budget plan on the availability of resources to complete the development and sale of the new systems, and implementing a more sophisticated costing system for tracking the direct cost attributable to the new system during its development.

The Directors have assessed the new procedures in accordance with the recognition criteria as required under HKAS 38. In the opinion of the management of the Group, the procedures have satisfied the criteria and the research and development costs of approximately HK\$1,142,000 and HK\$350,000 in relation to the development of Algorithmic Trading System and Mobile App for Tablet were capitalised during the year ended 31 December 2012 and the three months ended 31 March 2013 respectively. No amortisation was recognised during the Track Record Period. When these software systems are available for use, the software systems will be amortised on the straight-line basis over their estimated useful lives of 4 years. The current status of the development of the Algorithmic Trading System and Mobile App for Tablet and the bases on which the Directors consider that there is the existence of a market for these software systems are set out in the paragraph headed "Research and development — Product under development/to be developed" under the section headed "Business" of this prospectus.

Available-for-sale investments and held-for-trading investments

The available-for-sale investments as at 31 December 2011 represented the Group's investment in an unlisted bond with a sum of US\$200,000 with fixed coupon interest of 6% per annum acquired by the Group in October 2011. The unlisted bond is a perpetual bond of a listed company in Hong Kong with no maturity date. As at 31 December 2012, all of the Group's investments in the bond had been disposed of as the Group aimed at focusing on the development of its principal business.

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The held-for-trading investments comprise of equity securities listed in Hong Kong and Singapore. The details of the held-for-trading investments are as follows:

Market	Stock	Principal activities of listed company	Date of purchase	Average purchase price	Date of sale	Average selling price
Hong Kong	Stock A	Hotel operation, management businesses, property development	During 2010 and 2011	HK\$2.68	During 2012	HK\$3.57
Hong Kong	Stock B	Fishing and fishmeal processing, onboard processing, international distribution of a variety of frozen seafood products	During 2010, 2011 and 2012	HK\$1.14	During 2010 and 2012	HK\$0.77
Singapore	Stock C	Wholesale and retail distribution and licensing of quality fashion and lifestyle products	During 2010 and 2011	SG\$0.03	During 2010	SG\$0.04

The Group's held-for-trading investments decreased by approximately HK\$624,000 from approximately HK\$624,000 as at 31 December 2011 to nil as at 31 December 2012. The fair values were determined with reference to quoted market bid prices. As at 31 December 2012, all of the Group's investments in equity securities, except for certain securities in Singapore, have been disposed of as the Group aimed at focusing on the development of its principal business. The securities in Singapore represented the securities in a company in Singapore which had been delisted and accordingly, the Group reclassified such investment into available-for-sale investment and subsequently an impairment loss of approximately HK\$46,000 was recognised during the year ended 31 December 2012.

The major reason the Group engaged in investment activities during the Track Record Period was to maximise the return on the Group's capital. All of the funds used in such investment activities were internally generated funds and in excess of the Group's operating funds requirement. All of the counterparties of the Group's off-market investment transactions were Independent Third Parties.

In view of the recent market volatility, the Group will cease to engage in such investment activities in the future. As at 31 December 2012, all of the Group's investments in the bond and equity securities, except for certain securities in Singapore, had been disposed of as the Group aimed at focusing on the development of its principal business.

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During the Track Record Period and up to the Latest Practicable Date, the management and monitoring of the Group's investment activities were handled by the executive Directors who received and reviewed reports of the Group's investment portfolio on a monthly basis. After the Listing, according to the Group's treasury management policy and procedures, the Group will invest its operating funds in cash management instruments whilst the Group's surplus funds i.e. any amount in excess of the Group's operating funds requirement, will be placed in term deposits with registered banks. The Group's operating funds are determined based on a forward rolling cash flow forecast maintained by the Group's finance department detailing the expected dates of major receipts and payments of the Group for the next 12 months. The executive Directors will continue the monthly reviews of the Group's treasury activities and in addition, the entire Board, including the independent non-executive Directors will receive reports on the Group's treasury activities and convene meetings on a quarterly basis to review the management of the Group's treasury activities. The Audit Committee will review the treasury risk compliance records on a quarterly basis. The finance manager of the Group will manage the Group's treasury operations and monitor the day-to-day cash management activities. According to the Group's treasury management policy and procedures, the Group will only be permitted to invest in cash management instruments, limited to deposits with registered banks, negotiable instruments and term deposits with registered banks.

Trade and other receivables

The following table sets forth the breakdown of the Group's trade and other receivables as at the end of each of the Track Record Period:

	As at 31 December 2011 <i>HK\$'000</i>	As at 31 December 2012 <i>HK\$'000</i>	As at 31 March 2013 <i>HK\$'000</i>
Trade receivables (net of allowance for doubtful debts)	4,475	2,444	3,396
Other receivables	145	52	51
Prepaid Listing expenses	–	1,739	838
Deposits and prepayments	1,022	929	889
	5,642	5,164	5,174

The Group's trade receivables net of allowance for doubtful debts as at 31 December 2011 and 2012 were approximately HK\$4,475,000 and HK\$2,444,000 respectively, accounting for approximately 23.0% and 9.9%, respectively, of the Group's total current assets.

As at 31 March 2013, the Group's trade receivables net of allowance for doubtful debts was approximately HK\$3,396,000, accounting for approximately 16.0% of the Group's total current assets.

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The movement in the allowance for doubtful debts is as follows:

	As at 31 December 2011 <i>HK\$'000</i>	As at 31 December 2012 <i>HK\$'000</i>	As at 31 March 2013 <i>HK\$'000</i>
Balance at the beginning of year/period	1,329	255	283
Impairment losses recognised on receivables	669	283	–
Amounts written off during the year/period as uncollectible	(488)	–	–
Impairment losses reversed	(1,255)	(255)	(168)
Balance at the end of year/period	255	283	115

In accordance with the Hong Kong Accounting Standard 39 “Financial Instruments: Recognition and Measurement”, if there is objective evidence that an impairment loss on trade receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the trade receivable’s carrying amount and the present value of estimated future cash flows, discounted at the trade receivable’s original effective interest rate. The carrying amount of the trade receivables be reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

The factors considered by the Group to recognise impairment loss on trade receivables include the Group’s past experience of collecting payments, aging analysis of accounts, an increase in the number of delayed payments in the portfolio that exceed the average credit period and creditworthiness of each debtor.

The Group reviews the trade receivable on a case by case basis and trade receivable is considered to be impaired where there is objective evidence of impairment exists individually. The amount of impairment losses will be made through the allowance account. When it is considered uncollectible then it is written off against the allowance account.

The management monitors the status and determines if the receivable is uncollectible after performing collection procedures on recovery of outstanding receivables and the amount of loss has been determined. Procedures include the implementation of collection process such as issuance of reminders or legal letters and negotiation/follow up with customers to understand the situation and reasons for late payments. In addition, if customers are known to have collection problems due to bankruptcy, liquidity issues or cessation of business, the management will determine that the relevant receivable cannot be recovered and the amount of loss are written off against the allowance account.

Impairment losses reversed represented reversal of impairment losses of trade receivable that are subsequently settled or there is subsequent objective evidence that the trade receivables can be recovered after the impairment was recognised. The management monitors the collection status of outstanding receivables and follow up with customers for their late/outstanding payments. The Group will reverse the impairment losses previously recognised when they receive partial or full payments from the customers through the allowance account and a reversal of an impairment loss is then recognised in profit or loss.

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There was no impairment losses recognised on receivables or written off as uncollectible for the three months ended 31 March 2013. For the three months ended 31 March 2013, the impairment losses reversed was approximately HK\$168,000.

The impairment losses recognised on receivables for the years ended 31 December 2011 and 2012 were approximately HK\$669,000 and HK\$283,000 respectively. For the years ended 31 December 2011 and 2012, the impairment losses reversed were approximately HK\$1,255,000 and HK\$255,000 respectively.

The amounts written off during the years ended 31 December 2011 and 2012 as uncollectible were approximately HK\$488,000 and nil respectively. The amount written off in 2011 represented trade receivables considered as uncollectible due to termination of agreements in relation to sale of software systems and an one-off fee for a lease contract terminated before the commencement of minimum contract period.

The decrease in trade receivables as at 31 December 2012 compared with that as at 31 December 2011 was mainly due to the decrease in revenue from sales of software systems during the year ended 31 December 2012 as the Group only offers customers with a credit period for its sale of software systems. The trade receivables as at 31 March 2013 recorded an increase compared with that as at 31 December 2012 due to the increase in revenue from sales of software systems during the three months ended 31 March 2013.

The following table sets forth the breakdown of trade receivables as at the end of each of the Track Record Period:

	As at 31 December 2011 <i>HK\$'000</i>	As at 31 December 2012 <i>HK\$'000</i>	As at 31 March 2013 <i>HK\$'000</i>
Trade receivables	4,730	2,727	3,511
Less: Allowance for doubtful debts	(255)	(283)	(115)
	4,475	2,444	3,396

The following table sets forth the turnover days of the trade receivables (calculated as the average trade receivables balances for the period divided by revenue for the period, multiplied by the number of days in the period) for the periods indicated:

	Year ended 31 December 2011	Year ended 31 December 2012	Three months ended 31 March 2013
Trade receivables turnover days	46	40	34

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The trade receivables turnover days decreased from 40 days in the year ended 31 December 2012 to 34 days in the three months ended 31 March 2013. The decrease was primarily due to the implementation of tighter control on trade receivables by the Group.

The trade receivables turnover days decreased from 46 days in the year ended 31 December 2011 to 40 days in the year ended 31 December 2012. The decrease was primarily due to the decrease in the proportion of the Group's revenue attributable to the sales of software systems. A credit period of not more than 30 days is granted to customers for the Group's sale of software systems. On the other hand, no credit period is offered for the Group's provision of other services. Approximately 93.4% of the balance of trade receivables as at 31 March 2013 were subsequently settled up to 31 August 2013.

The following table illustrates the aging analysis of the trade receivables net of allowance for doubtful debts as of the end of each of the Track Record Period, presented based on invoice date:

	As at 31 December 2011 <i>HK\$'000</i>	As at 31 December 2012 <i>HK\$'000</i>	As at 31 March 2013 <i>HK\$'000</i>
0–30 days	2,279	513	3,106
31–60 days	1,877	1,320	93
61–90 days	112	520	122
91–120 days	176	91	40
Over 120 days	31	–	35
	4,475	2,444	3,396

As at 31 December 2011, the percentage of trade receivables aging between 0–60 days accounted for a substantial portion of the Group's trade receivables, representing approximately 92.9% of the trade receivables. As at 31 December 2012, the percentage of trade receivables aging between 0–60 days accounted for approximately 75.0% of the Group's trade receivables. The aging position of trade receivables as at 31 December 2012 has lengthened compared with that as at 31 December 2011. The change in trade receivables aging position was mainly due to the late payment by a few customers. However, the Directors consider that the Group has still maintained a healthy portfolio of trade receivables in view that the trade receivables aging between 0–60 days accounted for a major portion of the Group's trade receivables and only represented approximately 5.5% of the Group's revenue for the year ended 31 December 2012.

As at 31 March 2013, the percentage of trade receivables aging between 0–60 days accounted for approximately 94.2% of the Group's trade receivables. The aging position of trade receivables as at 31 March 2013 has improved compared with that as at 31 December 2012.

The Group's prepaid Listing expenses decreased from approximately HK\$1,739,000 as at 31 December 2012 to approximately HK\$838,000 as at 31 March 2013. Such a decrease was because certain prepaid Listing expenses were recognised as Listing expenses upon provision of services by the professional parties for the three months ended 31 March 2013. The Group's deposits and prepayments as at 31 December 2011 and 2012 and 31 March 2013 mainly represented rental deposits and prepayments in certain staff benefits. The balance of deposits and prepayments as at 31 March 2013 and 31 December 2012 was at similar level to that for 2011.

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Loan receivable from a related company

The Group's loan receivable from a related company was approximately HK\$5,452,000 as at 31 December 2011. The loan to a related company represented loans advanced by the Group to Fortune Grace, a company which is owned as to 70% by Mr. Chan. The loans were fully repaid by April 2012.

Amount due from a related company

The Group's amount due from a related company was approximately HK\$1,149,000 as at 31 December 2011. The amount due from a related company represented the Group's advance made to Glory Stand, a company beneficially owned by Mr. Chan, Mr. Li, Mr. Lai, Mr. Liu and Mr. Wong, and were non-trade in nature, unsecured, interest-free and repayable on demand. The balances outstanding as at 31 December 2011 were fully settled in December 2012.

Other payables

The following table sets forth the breakdown of other payables as at the end of each of the Track Record Period:

	As at 31 December 2011 <i>HK\$'000</i>	As at 31 December 2012 <i>HK\$'000</i>	As at 31 March 2013 <i>HK\$'000</i>
Receipts in advance	4,293	4,021	4,669
Customers deposit	3,376	3,701	3,564
Other payables and accruals	8,157	5,555	2,433
	15,826	13,277	10,666

Other payables principally comprise receipts in advance, customers deposit and accrued expenses. Receipts in advance represent receipts in advance from customers regarding system enhancement or receipts in advance of monthly maintenance fee at the beginning of a month before service is provided. Customers deposit represents the deposit required to be pay by customers upon signing of agreements for provision of certain services. Accrued expenses mainly comprise accrued staff bonus. Other payables decreased from approximately HK\$15,826,000 as at 31 December 2011 to approximately HK\$13,277,000 as at 31 December 2012. The decrease was mainly due to the payment of accrued bonus of approximately HK\$2,180,000 during the year ended 31 December 2012.

Other payables decreased from approximately HK\$13,277,000 as at 31 December 2012 to approximately HK\$10,666,000 as at 31 March 2013. The decrease was mainly due to the payment of accrued bonus to staff during the three months ended 31 March 2013.

The Group did not record trade payables as at 31 December 2011, 2012 and 31 March 2013. The credit terms granted by suppliers ranged from cash on delivery to 30 days.

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SUFFICIENCY OF WORKING CAPITAL

The Directors confirm that the Group has sufficient working capital for its requirements for at least the next 12 months from the date of this prospectus, taking into account the estimated net proceeds from the Placing and cash flows from operations.

INDEBTEDNESS

Borrowings

As at 31 July 2013, being the latest practicable date for determining the Group's indebtedness, the Group did not have any borrowing, bank facilities or any loan arrangement containing any covenant.

Mortgages and Charges

As at 31 July 2013, the Group had no mortgages and charges.

Contingent Liabilities

As at 31 July 2013, the Group had no contingent liabilities.

DISCLAIMER

Apart from normal trade and other payables and tax payable, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at the closure of business on 31 July 2013.

The Directors have confirmed that there has not been any material change in the indebtedness, capital commitment and contingent liabilities of the Group since 31 July 2013.

CAPITAL COMMITMENT

As at 31 December 2011 and 2012, and 31 March 2013, the Group did not have any significant capital commitments.

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OTHER KEY FINANCIAL RATIOS

	As at/For the year ended		As at/For the
	31 December		three months
	2011	2012	ended 31 March 2013
Current ratio ¹	1.2 times	1.9 times	1.9 times
Quick ratio ²	1.2 times	1.9 times	1.9 times
Gearing ratio ³	Nil	Nil	Nil
Debt to equity ratio ⁴	(126.9)%	(151.2)%	(135.1)%
Interest coverage ⁵	Nil	Nil	Nil
Return on assets ⁶	42.5%	42.8%	(4.4)%
Return on equity ⁷	176.4%	87.0%	(8.4)%
Net profit/(loss) margin ⁸	22.7%	33.4%	(12.3)%

Notes:

1. Current ratio is calculated based on the current assets divided by current liabilities.
2. Quick ratio is calculated based on the current assets less inventories, divided by current liabilities.
3. Gearing ratio is calculated based on the total borrowings divided by total assets.
4. Debt to equity ratio is calculated by the net debt (all borrowings net of cash and cash equivalents) divided by the total equity and multiplied by 100%.
5. Interest coverage is calculated by the profit/(loss) before interest and tax for the year/period divided by the interest expense for the respective year/period and multiplied by 100%.
6. Return on assets is calculated by the total comprehensive income/(expense) for the year/period divided by total assets multiplied by 100%.
7. Return on equity is calculated by the total comprehensive income/(expense) for the year/period divided by total equity multiplied by 100%.
8. Net profit/(loss) margin is calculated by the total comprehensive income/(expense) for the year/period divided by the revenue for the respective year/period and multiplied by 100%.

Current ratio

The Group's current ratio was stable during the Track Record Period. It increased from approximately 1.2 times as at 31 December 2011 to approximately 1.9 times as at 31 December 2012. This was attributable to the increase in cash and cash equivalents as a result of (i) cashflow generated from the profitable operations of the Group, and (ii) disposal of a bond which was classified as non-current asset. The Group's current ratio as at 31 March 2013 was 1.9 times which was the same as 31 December 2012.

Quick ratio

The Group's quick ratio for the years ended 31 December 2011 and 2012 were approximately 1.2 times and approximately 1.9 times respectively. The increase in quick ratio was due to the increase in

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cash and cash equivalents as a result of (i) cashflow generated from the profitable operations of the Group, and (ii) disposal of a bond which was classified as non-current asset. The Group's quick ratio as at 31 March 2013 was 1.9 times which was the same as 31 December 2012.

Gearing ratio

The Group's gearing ratio as at 31 December 2011 and 2012 and 31 March 2013 was nil. The Group did not raise any external debt financing during the Track Record Period.

Debt to equity ratio

As the Group did not raise any external debt financing during the Track Record Period, the Group had a net cash to equity position as at 31 December 2011 and 2012 and 31 March 2013. The net cash to equity position increased from approximately 126.9% as at 31 December 2011 to 151.2% as at 31 December 2012. As the Group did not have any external debt financing, the increase in cash and cash equivalents resulted in an increase in the net cash to equity position. As the cash and bank balances as at 31 March 2013 recorded a decrease, the Group's net cash to equity position decreased to approximately 135.1%.

Interest coverage

The interest coverage of the Group for the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013 was not applicable as the Group did not raise any external debt financing during the Track Record Period.

Return on assets

The slight increase in return on assets from approximately 42.5% for the year ended 31 December 2011 to approximately 42.8% for the year ended 31 December 2012 was primarily due to the percentage of increase in net profit of the Group during the year ended 31 December 2012 (approximately 22.3%) being higher than the percentage of increase in total assets of the Group during the same year (approximately 21.1%). As a result of loss recognised, the Group's return on assets for the three months ended 31 March 2013 was (4.4)%.

Return on equity

The decrease in the Group's return on equity from approximately 176.4% for the year ended 31 December 2011 to approximately 87.0% for the year ended 31 December 2012 was mainly attributable to the percentage of increase in shareholders' equity of the Group during the year ended 31 December 2012 (approximately 148.0%) being higher than the percentage of increase in net profit of the Group during the same year (approximately 22.3%).

As a result of loss recognised, the Group's return on equity for the three months ended 31 March 2013 was (8.4)%.

Net profit/(loss) margin

The net profit margin for the year ended 31 December 2012 was 33.4%, which was higher than the net profit margin of 22.7% for the year ended 31 December 2011. The net profit margin increased

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due to (i) reduction of staff costs; and (ii) reduction in loss arising as change in fair value of the Group's investments. The net loss margin for the three months ended 31 March 2013 was 12.3%, which was mainly due to listing expenses of approximately HK\$3,940,000 during the period.

DISTRIBUTABLE RESERVES

As at 31 March 2013, the Company did not have any reserves available for distribution to the shareholders.

DIVIDEND POLICY

Dividends may be paid out by way of cash or by other means that the Directors consider appropriate. Declaration and payment of any dividends would require the recommendation of the Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including results of operations, financial condition, the payment by the Group's subsidiaries of cash dividends to the Company, and other factors the Board may deem relevant.

The Group declared and paid dividends of HK\$17,920,000 and HK\$3,600,000 for the years ended 31 December 2011 and 2012, respectively. There will be no assurance that the Company will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by the Company in the future.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Market risk

Foreign currency risk management

Substantially all the revenue-generating operations of the Group were transacted in Hong Kong dollars during the Track Record Period, which is the functional currency and the presentation currency of the Group. The Group therefore does not have significant foreign currency risk.

Interest rate risk management

The Group's fair value interest rate risk relates to fixed-rate loan granted to a related company and fixed interest rate instruments. The Group currently does not have a formal interest rate hedging policy in relation to fair value interest rate risk as the management considers that such risks are insignificant to the Group. The management monitors the Group's exposure on an ongoing basis and will consider hedging the interest rate risk should the need arise.

The Directors consider the fluctuation in interest rates of fixed-rate loan granted to a related company and fixed interest rate instruments is insignificant. Therefore, no sensitivity analysis is presented.

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Equity price risk management

The Group is mainly exposed to equity price risk through its investments in listed equity securities. The management manages the exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the end of each of the Track Record Period. A 10 percent change represents management's assessment of the reasonably possible change in equity price.

If equity prices had been 10% higher/lower, the Group's post-tax profit would increase/decrease by approximately HK\$62,000, nil and nil for the years ended 31 December 2011 and 2012 and three months ended 31 March 2013, respectively. This is mainly due to the changes in fair value of held-for-trading investments.

Credit risk management

At the end of each of the Track Record Period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the Directors closely monitors the overall level of credit exposure and the management is responsible for determination of credit approvals and monitors the implementation of the collection procedure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each of the Track Record Period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of customers.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation or high credit ratings assigned by international credit-rating agencies.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Directors, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

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For details of the contractual maturity for the Group's non-derivative financial liabilities, please refer to note 6 of the Accountants' Report of the Company set out in Appendix I to this prospectus.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted net tangible assets of the Group which has been prepared in accordance with Rule 7.31 of the GEM Listing Rules and on the basis set out below is for illustrative purposes only, and is set out here to illustrate the effect of the Placing on the combined net tangible assets of the Group as at 31 March 2013 as if it had taken place on 31 March 2013.

The unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Placing been completed as at 31 March 2013 or as at any future dates.

Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2013 <i>HK\$'000</i> <i>(Note 1)</i>	Add: Estimated net proceeds from the Placing <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted net tangible assets <i>HK\$'000</i>	Unaudited pro forma adjusted net tangible assets per Share <i>HK\$</i> <i>(Note 3)</i>
Based on the Placing Price of HK\$0.82 per Share	<u>10,412</u>	<u>28,595</u>	<u>39,007</u>
	<u>0.20</u>		<u>0.20</u>

Notes:

1. The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2013 has been extracted from the Accountants' Report of the Company set out in Appendix I to this prospectus.
2. The estimated net proceeds from the Placing are based on the Placing Price of HK\$0.82 per Share, after deduction of relevant estimated underwriting fees and other related fees and expenses but without taking into account any Shares which may fall to be allotted and issued upon exercise of the Offer Size Adjustment Option.
3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in notes 1 and 2 above and on the basis that 200,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" in this prospectus, but takes no account of any Shares which may fall to be allotted and issued upon exercise of the Offer Size Adjustment Option.
4. The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 31 March 2013).

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Disclosure relating to Rules 17.15 to 17.21 of the GEM Listing Rules

The 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.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 March 2013 (being the date to which the latest audited combined financial statements of the Group were made up) up to the date of this prospectus.

UNDERWRITING

UNDERWRITERS

Astrum Capital Management Limited

Ample Orient Capital Limited

Taiping Securities (HK) Co Limited

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Pursuant to the Underwriting Agreement, the Company is offering the Placing Shares for subscription by way of Placing at the Placing Price, on and subject to the terms and conditions in the Underwriting Agreement and this prospectus.

Subject to, among other conditions, the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set out in the Underwriting Agreement being satisfied or waived on or before the 30th day after the date of this prospectus, the Underwriters have severally agreed to subscribe for or procure subscribers for their respective applicable proportions of the Placing Shares on the terms and conditions of the Placing.

Grounds for termination

The Lead Manager (for itself and on behalf of the Underwriters) shall have the sole right upon giving a written notice to the Company to terminate the Underwriting Agreement if any of the following events occur at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is expected to be on 26 September 2013):

The obligations of the Underwriters to underwrite the Placing are subject to termination by the Lead Manager (for itself and on behalf of the Underwriters) by notice in writing given to the Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (“Termination Time”) if prior to the Termination Time, there comes to the notice of the Lead Manager (on behalf of the Underwriters):

- (a) any new law or regulation comes into force, or there is any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority; or
- (b) any material change (including any event or series of events concerning or relating to or otherwise having an effect on) in Hong Kong financial, political, military, industrial, fiscal, legal, regulatory, economic or market conditions, stock or other financial market conditions; or

UNDERWRITING

- (c) any material change in the conditions of Hong Kong securities markets including, for the avoidance of doubt, any significant adverse change in the index level or value of turnover of such markets; or
- (d) without prejudice to (b), (c) and (e) referred to in this sub-paragraph, there is imposed any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstance or otherwise, or minimum prices having been established for securities traded thereon; or
- (e) without prejudice to (b), (c) and (d) referred to above, a general banking moratorium is declared by Hong Kong authorities; or
- (f) a material change or development involving a prospective change in taxation or exchange controls in Hong Kong or Cayman Islands; or
- (g) any material investigation or litigation or claim being threatened or instituted against any Director or any member of the Group; or
- (h) any event or series of events (including, but without limitation, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lockout),

which is the sole opinion of the Lead Manager (for itself and on behalf of the Underwriters) has or could reasonably be expected to have a material adverse effect on the business or financial conditions or prospects of the Group taken as a whole or to the success of the Placing or the distribution of the Placing Shares; or

- (i) the Lead Manager or any of the Underwriters becomes aware, or has reasonable cause to believe that:
 - (i) any statement contained in this prospectus and certain other documents in relation to the Placing was, when any of such documents was issued, or has become untrue, incorrect or misleading in any material respect; or
 - (ii) any matter has arisen or has been discovered or alleged which would, had it arisen or been discovered or alleged immediately before the date of this prospectus, constitute an omission therefrom considered by the Lead Manager (for itself and on behalf of the Underwriters) to be material in the context of the Placing or the Listing; or
 - (iii) there has occurred any breach, considered by the Lead Manager to be material in the context of the Placing or the Listing, of any of the obligations and provisions, representations and warranties (save for those from the Lead Manager and/or any of the Underwriters) contained in the Underwriting Agreement; or

UNDERWRITING

- (iv) there has occurred any event, act or omission which gives or is likely to give rise to any material liability of any of the Company, the Directors, the Controlling Shareholders pursuant to the warranties or indemnities given in the Underwriting Agreement; or
- (v) there has occurred any adverse change in the business or in the financial or trading positions or prospects of any member of the Group which in the sole opinion of the Lead Manager (for itself and on behalf of the Underwriters) is material in the context of the Placing and the Listing.

Undertakings

Each of the Controlling Shareholders undertakes to and covenants with the Company, the Sponsor, the Lead Manager and the Underwriters that, without the prior written consent of the Sponsor and the Lead Manager (for itself and on behalf of the Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, it/he shall not, and shall procure its/his associates or companies controlled by it/him or any nominee or trustee holding in trust for it/him not to:

- (a) at any time during the period commencing on the date by reference to which disclosure of its/his shareholding in the Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “First Six-month Period”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of the Company in respect of which it/he is shown by this prospectus to be the beneficial owner (whether direct or indirect) (the “Relevant Shares”);
- (b) at any time during the period of six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders, either individually or taken together with the other of them, would cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of the Company.

Each of the Controlling Shareholders undertakes to and covenants with the Company, the Sponsor, the Lead Manager and the Underwriters that in the event that it/he disposes of its/his Relevant Shares after the restriction under sub-paragraph (a) above applicable to it/him lapses, all reasonable steps will be taken to ensure that such disposal will not create a false or disorderly market in the Shares.

Each of the Controlling Shareholders undertakes to and covenants with the Company, the Sponsor, the Lead Manager and the Underwriters that:

- (a) in the event that it/he pledges or charges any of its/his direct or indirect interest in the Relevant Shares under Rule 13.18(1) of the GEM Listing Rules or pursuant to any approval given by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, it/he must inform the Company, the Sponsor, the Lead Manager and the Stock Exchange immediately thereafter, disclosing the details as specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and

UNDERWRITING

- (b) having pledged or charged any of its/his interests in the Relevant Shares under sub-paragraph (a) above, it/he must inform the Company, the Sponsor, the Lead Manager and the Stock Exchange immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Relevant Shares so affected.

The Company undertakes to and covenants with the Sponsor, the Lead Manager and the Underwriters that, and each of the Controlling Shareholders and the executive Directors undertakes and covenants with the Sponsor, the Lead Manager and the Underwriters to procure that, without the prior written consent of the Lead Manager on behalf of the Underwriters, the Company will not, save pursuant to the Placing, the grant of option under the Share Option Scheme, the issue of Shares pursuant to the Capitalisation Issue, the exercise of the Offer Size Adjustment Option or the exercise of any option granted or to be granted under the Share Option Scheme or any capitalisation issue or any consolidation, sub-division or capital reduction of Shares or by way of scrip dividend schemes or other similar arrangement in accordance with the articles of association of the Company and the GEM Listing Rules:

- (a) within the period of six months from the Listing Date, issue or agree to issue any Shares or any other securities in the Company or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for, Shares or any other securities of the Company; and
- (b) at any time during the period of six months from the expiry of the six-month period referred to in sub-paragraph (a) above, unless permitted by the GEM Listing Rules, issue any Share or securities in the Company or grant or agree to grant any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into or exchange for Shares or securities in the Company so as to result in the Controlling Shareholders either individually or taken together with the other of them cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of the Company.

Each of the Company, the Controlling Shareholders and the executive Directors undertakes to and covenants with the Sponsor, the Lead Manager and the Underwriters that save with the prior written consent of the Lead Manager on behalf of the Underwriters, no company in the Group will, unless permitted by the GEM Listing Rules, within the period of six months from the Listing Date purchase any Shares or any other securities of the Company.

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange that it/he shall not and shall procure that the relevant registered holder(s) shall not:

- (a) in the period commencing on the date of this prospectus and ending on the date which is six months from the Listing Date dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he is shown by this prospectus to be the beneficial owner; or

UNDERWRITING

- (b) in the period of six months commencing on the date on which the period referred to in sub-paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to sub-paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances it/he would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of the Company.

Each of the Controlling Shareholders has also undertaken to the Stock Exchange and the Company to comply with the following requirements:

- (a) in the event that it/he pledges or charges any direct or indirect interest in the Relevant Shares in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan under Rule 13.18(1) of the GEM Listing Rules or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the period commencing on the date of this prospectus and ending on the date which is twelve months from the Listing Date, it/he must inform the Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in Shares under sub-paragraph (a) above, it/he must inform the Company immediately in the event that it/he becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

The Company will inform the Stock Exchange as soon as it has been informed of such matters and must forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 17.43 of the GEM Listing Rules.

Commission and expenses

The Underwriters will receive an underwriting commission of 2.5% of the aggregate Placing Price of all Placing Shares, out of which they will pay any sub-underwriting commission, and the Sponsor will receive a financial advisory and documentation fee in relation to the Listing and will be reimbursed for their expenses. Such commission, advisory and documentation fee and expenses, together with the GEM listing fees, legal and other professional fees, and printing and other expenses relating to the Placing and Listing, are estimated to amount in aggregate to approximately HK\$12,400,000 and are to be borne by the Company.

Underwriters' interest in the Company

Save as provided for under the Underwriting Agreement, none of the Underwriters has any shareholding interests in any member of the Group nor has any right (whether legally enforceable or not) to subscribe for or purchase or nominate persons to subscribe for or purchase any Shares.

UNDERWRITING

Compliance Adviser's Agreement

Under a compliance adviser's agreement dated 17 September 2013 and made between Ample Capital and the Company (the "Compliance Adviser's Agreement"), the Company appointed Ample Capital, and Ample Capital agreed to act as the compliance adviser to the Company for the purpose of the GEM Listing Rules for a fee from the Listing Date until the date on which the Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year after the Listing Date or until the Compliance Adviser's Agreement is terminated pursuant to its terms and conditions.

Sponsor's interest in the Company

Save for (i) the advisory and documentation fees to be paid to Ample Capital as the sponsor to the Listing; and (ii) the financial advisory fee to be paid to Ample Capital as the Company's compliance adviser pursuant to the requirements under Rules 6A.19 of the GEM Listing Rules, neither Ample Capital nor any of its associates has or may have, as a result of the Placing, any interest in any class of securities in the Company or any of its subsidiaries (including options or rights to subscribe for such securities).

No director or employee of Ample Capital who is involved in providing advice to the Company has or may have, as a result of the Placing, any interest in any class of securities of the Company or any of its subsidiaries (including options or rights to subscribe for such securities that may be subscribed for or purchased by any such director or employee pursuant to the Placing).

No director or employee of Ample Capital has a directorship in the Company or any of its subsidiaries. Ample Capital is independent from the Group under Rule 6A.07 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE PLACING

PLACING PRICE

The Placing Price is HK\$0.82 per Placing Share. Subscribers, when subscribing for the Shares, shall pay the Placing Price plus brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. Investors shall pay HK\$2,070.67 for every board lot of 2,500 Shares.

The level of indications of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the GEM website at www.hkgem.com and the Company's website at www.finsoftcorp.com at or before 9:00 a.m. on 25 September 2013.

CONDITIONS OF THE PLACING

The Placing will be conditional upon, among others:

- (i) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and such grant and permission not subsequently being revoked prior to the Listing Date; and
- (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including the waiver of any condition(s) by the Lead Manager on behalf of the Underwriters) and not being terminated in accordance with its terms or otherwise,

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than 17 October 2013, being the date which is 30 days after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Placing will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Placing will be published by the Company on the GEM website at www.hkgem.com on the next Business Day following such lapse.

THE PLACING

50,000,000 Placing Shares are initially being offered pursuant to the Placing, representing in aggregate 25% of the enlarged issued share capital of the Company (assuming that the Offer Size Adjustment Option is not exercised).

The Placing is fully underwritten by the Underwriters (subject to the terms and conditions of the Underwriting Agreement). Pursuant to the Placing, it is expected that the Underwriters, on behalf of the Company, will conditionally place 50,000,000 Placing Shares at the Placing Price to selected individual, professional and institutional investors in Hong Kong.

BASIS OF ALLOCATION

Allocation of the Placing Shares to selected individual, professional and institutional investors will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investors are likely to purchase further Shares or hold or sell their Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares which would lead

STRUCTURE AND CONDITIONS OF THE PLACING

to the establishment of a solid professional and institutional shareholder base to the benefit of the Company and the Shareholders as a whole. In particular, the Placing Shares will be allocated pursuant to Rule 11.23(8) of the GEM Listing Rules, that is not more than 50% of the Shares in public hands at the time of Listing will be owned by the three largest public Shareholders. There will not be any preferential treatment in the allocation of the Placing Shares to any person.

No allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, or with the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

OFFER SIZE ADJUSTMENT OPTION

Pursuant to the Underwriting Agreement, the Company has granted to the Lead Manager the Offer Size Adjustment Option, which is exercisable by the Lead Manager (for itself and on behalf of the Underwriters) in its absolute discretion (i) on or before the business day immediately before the date of allotment results announcement; and (ii) within 30 days from the date of this prospectus, whichever is earlier, in writing, to require the Company to allot and issue up to 7,500,000 additional Shares at the Placing Price, representing 15% of the total number of Shares initially available for subscription under the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing at the absolute discretion of the Lead Manager.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Lead Manager to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activity of the Shares in the secondary market after the listing of the Shares on GEM and will not be subject to the Securities and Futures (Price Stabilizing) Rules of the SFO (Chapter 571W of the Laws of Hong Kong). No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

The Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date. The allotment results announcement will be published on the GEM website at www.hkgem.com and the Company's website at www.finssoftcorp.com.

In the event that the Offer Size Adjustment Option is exercised in full, 7,500,000 additional Shares will be issued resulting in a total number of 207,500,000 Shares in issue and the shareholding of the Shareholders will be diluted by approximately 7.8%. On the other hand, the unaudited pro forma earnings per Share will be diluted from approximately HK5.6 cents to approximately HK5.4 cents (as if the Placing had taken place on 1 January 2012). As the estimated net proceeds from the Placing (calculated at the Placing Price of HK\$0.82) will be increased from approximately HK\$28.6 million to approximately HK\$34.6 million if the Offer Size Adjustment Option is exercised in full and the unaudited pro forma adjusted net tangible assets of the Group will be increased from approximately HK\$39.0 million to approximately HK\$45.0 million, the adjusted net tangible asset value per Share will be increased from approximately HK20 cents to HK22 cents.

If the Offer Size Adjustment Option is exercised in full, the additional net proceeds received from the placing of the additional Shares allotted and issued will be allocated in accordance with the allocations as disclosed in the section headed "Reasons for the Placing and Use of Proceeds" of this prospectus, on a pro rata basis.

STRUCTURE AND CONDITIONS OF THE PLACING

COMMENCEMENT OF DEALINGS

Dealings in the Shares on GEM are expected to commence on 26 September 2013. The Shares will be traded in board lots of 2,500 Shares each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

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

In respect of the dealings in the Shares which may be settled through CCASS, investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.



31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

18 September 2013

The Directors
Finsoft Corporation
Ample Capital Limited

Dear Sirs,

We set out below our report on the financial information (the “Financial Information”) regarding Finsoft Corporation (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013 (the “Track Record Period”), for inclusion in the prospectus of the Company dated 18 September 2013 (the “Prospectus”) in connection with the proposed listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 18 December 2012. Through a corporate reorganisation as more fully explained in the paragraph headed “Corporate Reorganisation” in Appendix IV “Statutory and General Information” to the Prospectus (the “Reorganisation”), the Company became the holding company of the companies now comprising the Group on 28 August 2013.

As at the date of this report, the Company has the following wholly-owned subsidiaries:

Name of subsidiary	Legal form, date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
Infinite Capital Ventures Limited (“Infinite Capital”)	Limited liability company incorporated on 16 November 2012, British Virgin Islands (“BVI”)	10,000 shares of US\$1 each	100% (direct)	Investment holding

Name of subsidiary	Legal form, date and place of incorporation/ operations	Issued and fully paid up share capital	Proportion ownership interest held by the Company	Principal activities
iAsia Online Systems Limited ("iAsia (BVI)")	Limited liability company incorporated on 9 January 2001, BVI	10 shares of US\$1 each	100% (indirect)	Development, sale and provision of financial trading software solutions
Wealthy Link Technology Limited ("Wealthy Link")	Limited liability company incorporated on 24 April 2012, Hong Kong	1 ordinary share of HK\$1	100% (indirect)	Development of financial trading software solutions
Gracious Queen Limited ("Gracious Queen")	Limited liability company incorporated on 22 August 2012, BVI	1 share of US\$1	100% (indirect)	Provision of administrative support to the Group

The financial year end date of the companies now comprising the Group is 31 December.

No audited statutory financial statements have been prepared for the Company since its date of incorporation as it was incorporated in a country where there is no statutory audit requirement and the Company has not carried on any business other than those transactions relating to the Reorganisation.

No audited statutory financial statements have been prepared for Infinite Capital and Gracious Queen since their dates of incorporation as they were incorporated in a country where there is no statutory audit requirement.

The financial statements of iAsia (BVI) and Wealthy Link were audited by us except for the financial statements of the iAsia (BVI) for the year ended 31 December 2011 which were prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and were audited by Alliot, Tsoi CPA Limited, certified public accountants, Hong Kong.

For the purpose of this report, the directors of the Company have prepared the combined financial statements of the Group for the Track Record Period (the "Underlying Financial Statements") in accordance with HKFRS issued by the HKICPA.

We have undertaken an independent audit on the Underlying Financial Statements for the Track Record Period in accordance with Hong Kong Standards on Auditing issued by the HKICPA. We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The Financial Information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in Note 1 of Section A below, and no adjustment to the Underlying Financial Statements is considered necessary in the preparation of this report for inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in Note 1 to Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group as at 31 December 2011 and 2012 and 31 March 2013 and of the combined results and combined cash flows of the Group for the Track Record Period.

The comparative combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the three months ended 31 March 2012 together with the notes thereon have been extracted from the Group's unaudited combined financial information for the same period (the "March 2012 Financial Information"), which was prepared by the directors of the Company solely for the purpose of this report. We have reviewed the March 2012 Financial Information in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review consists principally of making enquiries of the Group's management and applying analytical and other review procedures to the March 2012 Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the March 2012 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the March 2012 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with HKFRS.

A. FINANCIAL INFORMATION

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December 2011 HK\$	Year ended 31 December 2012 HK\$	Three months ended 31 March 2012 HK\$ <i>(Unaudited)</i>	Three months ended 31 March 2013 HK\$
Revenue	7	40,553,470	33,626,811	7,784,587	8,204,830
Cost of sales		<u>(12,171,504)</u>	<u>(11,000,898)</u>	<u>(2,387,321)</u>	<u>(2,180,544)</u>
Gross profit		28,381,966	22,625,913	5,397,266	6,024,286
Investment and other income	9	1,374,127	482,908	337,848	6
Other gains and losses	10	(1,246,810)	172,540	296,899	167,705
Administrative expenses		<u>(17,263,049)</u>	<u>(10,153,355)</u>	<u>(2,579,018)</u>	<u>(6,707,508)</u>
Profit/(loss) before tax		11,246,234	13,128,006	3,452,995	(515,511)
Income tax expense	11	<u>(2,069,365)</u>	<u>(1,908,778)</u>	<u>(485,468)</u>	<u>(490,284)</u>
Profit/(loss) for the year/period	12	<u>9,176,869</u>	<u>11,219,228</u>	<u>2,967,527</u>	<u>(1,005,795)</u>
Other comprehensive income, net of income tax					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Net fair value gain on available-for-sale financial assets		9,725	77,597	-	-
Reclassification adjustments relating to available-for-sale financial assets disposed of during the year/period		<u>-</u>	<u>(69,817)</u>	<u>-</u>	<u>-</u>
Other comprehensive income for the year/period, net of income tax		<u>9,725</u>	<u>7,780</u>	<u>-</u>	<u>-</u>
Total comprehensive income/(expense) for the year/period		<u>9,186,594</u>	<u>11,227,008</u>	<u>2,967,527</u>	<u>(1,005,795)</u>

		Year ended	Year ended	Three	Three
	Notes	31 December	31 December	months	months
		2011	2012	ended	ended
		HK\$	HK\$	31 March	31 March
				2012	2013
				HK\$	HK\$
				<i>(Unaudited)</i>	
Profit/(loss) for the year/period attributable to:					
Owners of the Company		9,177,096	11,218,828	2,968,202	(1,004,589)
Non-controlling interests		(227)	400	(675)	(1,206)
		<u>9,176,869</u>	<u>11,219,228</u>	<u>2,967,527</u>	<u>(1,005,795)</u>
Total comprehensive income/(expense) for the year/period attributable to:					
Owners of the Company		9,186,821	11,226,608	2,968,202	(1,004,589)
Non-controlling interests		(227)	400	(675)	(1,206)
		<u>9,186,594</u>	<u>11,227,008</u>	<u>2,967,527</u>	<u>(1,005,795)</u>
Earnings/(loss) per share					
— Basic and diluted (HK cents per share)	16	<u>6.1</u>	<u>7.5</u>	<u>2.0</u>	<u>(0.7)</u>

Details of dividends are disclosed in Note 15 to the Financial Information.

COMBINED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	As at 31 December 2011 <i>HK\$</i>	As at 31 December 2012 <i>HK\$</i>	As at 31 March 2013 <i>HK\$</i>
Non-current assets				
Property, plant and equipment	17	611,362	391,313	336,953
Intangible assets	18	–	1,141,905	1,491,964
Available-for-sale investments	19	1,552,220	–	–
		<u>2,163,582</u>	<u>1,533,218</u>	<u>1,828,917</u>
Current assets				
Held-for-trading investments	20	623,865	–	–
Trade and other receivables	21	5,642,479	5,163,551	5,173,716
Loan receivable from a related company	22	5,452,137	–	–
Amount due from a related company	23	1,149,460	–	–
Cash and bank balances	24	6,607,790	19,519,257	16,085,831
		<u>19,475,731</u>	<u>24,682,808</u>	<u>21,259,547</u>
Total assets		<u>21,639,313</u>	<u>26,216,026</u>	<u>23,088,464</u>
Current liabilities				
Other payables	25	15,826,636	13,277,016	10,666,126
Amount due to a related company	26	317	–	–
Current tax liabilities		606,460	28,286	518,570
		<u>16,433,413</u>	<u>13,305,302</u>	<u>11,184,696</u>
Net current assets		<u>3,042,318</u>	<u>11,377,506</u>	<u>10,074,851</u>
Net assets		<u>5,205,900</u>	<u>12,910,724</u>	<u>11,903,768</u>
Capital and reserves				
Share capital	27	78	77,894	77,894
Reserves		5,203,855	12,830,463	11,825,874
Equity attributable to owners of the Company		5,203,933	12,908,357	11,903,768
Non-controlling interests		1,967	2,367	–
Total equity		<u>5,205,900</u>	<u>12,910,724</u>	<u>11,903,768</u>

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company			Attributable to non-controlling interests		Total HK\$
	Share capital HK\$ (Note 27)	Investments revaluation reserve HK\$	Retained profits HK\$	Subtotal HK\$	interests HK\$	
Balance at 1 January 2011	78	(17,505)	13,954,539	13,937,112	2,194	13,939,306
Profit/(loss) for the year	–	–	9,177,096	9,177,096	(227)	9,176,869
Other comprehensive income for the year	–	9,725	–	9,725	–	9,725
Total comprehensive income/ (expense) for the year	–	9,725	9,177,096	9,186,821	(227)	9,186,594
Dividends recognised as distribution (Note 15)	–	–	(17,920,000)	(17,920,000)	–	(17,920,000)
Balance at 31 December 2011	78	(7,780)	5,211,635	5,203,933	1,967	5,205,900
Profit for the year	–	–	11,218,828	11,218,828	400	11,219,228
Other comprehensive income for the year	–	7,780	–	7,780	–	7,780
Total comprehensive income for the year	–	7,780	11,218,828	11,226,608	400	11,227,008
Issue of shares of subsidiaries	77,816	–	–	77,816	–	77,816
Dividends recognised as distribution (Note 15)	–	–	(3,600,000)	(3,600,000)	–	(3,600,000)
Balance at 31 December 2012	77,894	–	12,830,463	12,908,357	2,367	12,910,724

	Attributable to owners of the Company				Attributable to non-controlling interests	
	Share capital <i>HK\$</i> <i>(Note 27)</i>	Investments revaluation reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Subtotal <i>HK\$</i>	interests <i>HK\$</i>	Total <i>HK\$</i>
Balance at 1 January 2013	77,894	–	12,830,463	12,908,357	2,367	12,910,724
Loss for the period	–	–	(1,004,589)	(1,004,589)	(1,206)	(1,005,795)
Other comprehensive income for the period	–	–	–	–	–	–
Total comprehensive expense for the period	–	–	(1,004,589)	(1,004,589)	(1,206)	(1,005,795)
Deregistration of a subsidiary <i>(Note)</i>	–	–	–	–	(1,161)	(1,161)
Balance at 31 March 2013	77,894	–	11,825,874	11,903,768	–	11,903,768
For the three months ended 31 March 2012 (unaudited)						
Balance at 1 January 2012	78	(7,780)	5,211,635	5,203,933	1,967	5,205,900
Profit/(loss) for the period	–	–	2,968,202	2,968,202	(675)	2,967,527
Other comprehensive income for the period	–	–	–	–	–	–
Total comprehensive income/(expense) for the period	–	–	2,968,202	2,968,202	(675)	2,967,527
Balance at 31 March 2012	78	(7,780)	8,179,837	8,172,135	1,292	8,173,427

Note:

During the Track Record Period, iAsia (BVI) held 96% equity interest of iAsia Online Systems (Macau) Limited, a company incorporated in Macau with limited liability. On 14 January 2013, iAsia Online Systems (Macau) Limited was deregistered according to the applicable Macau laws and regulations and was accordingly dissolved on deregistration.

COMBINED STATEMENTS OF CASH FLOWS

	Year ended 31 December 2011 HK\$	Year ended 31 December 2012 HK\$	Three months ended 31 March 2012 HK\$	Three months ended 31 March 2013 HK\$
			<i>(Unaudited)</i>	
Cash flows from operating activities				
Profit/(loss) before tax	11,246,234	13,128,006	3,452,995	(515,511)
Adjustments for:				
— Depreciation of property, plant and equipment	578,121	376,869	121,873	68,596
— Interest income	(494,921)	(161,439)	(70,604)	(6)
— Impairment losses on trade receivables	669,270	283,275	—	—
— Reversal of impairment losses on trade receivables	(1,255,460)	(255,270)	(255,270)	(167,775)
— Loss on disposal of property, plant and equipment	—	30,250	—	—
— Impairment loss on available-for-sale investments	—	45,665	—	—
— Loss/(gain) arising on change in fair value of financial assets classified as held-for-trading	2,043,075	(175,080)	(42,900)	—
— Gain on sale of available-for-sale investments	—	(69,817)	—	—
Operating cash flows before movements in working capital	12,786,319	13,202,459	3,206,094	(614,696)
(Increase)/decrease in held-for-trading investments	(1,026,454)	753,280	(73,500)	—
Decrease in trade and other receivables	200,237	450,923	1,662,125	157,610
(Increase)/decrease in amount due from a related company	(1,139,460)	1,149,460	88,209	—
Increase/(decrease) in other payables	2,078,871	(2,549,620)	(1,365,126)	(2,612,051)
Increase/(decrease) in amount due to a related company	3,571	(317)	—	—
Cash generated from/(used in) operations	12,903,084	13,006,185	3,517,802	(3,069,137)
Hong Kong profits tax paid	(2,247,151)	(2,486,952)	—	—
Net cash generated by/(used in) operating activities	10,655,933	10,519,233	3,517,802	(3,069,137)

	Year ended 31 December 2011 HK\$	Year ended 31 December 2012 HK\$	Three months ended 31 March 2012 HK\$ <i>(Unaudited)</i>	Three months ended 31 March 2013 HK\$
Cash flows from investing activities				
Interest received	794	613,576	452,141	6
Repayment of loan from a related company	–	5,000,000	2,000,000	–
Purchase of property, plant and equipment	(462,326)	(187,070)	(45,500)	(14,236)
Proceeds from disposal of available-for-sale investments	–	1,629,817	–	–
Payments for intangible assets	–	(1,141,905)	(259,790)	(350,059)
Net cash (used in)/generated by investing activities	<u>(461,532)</u>	<u>5,914,418</u>	<u>2,146,851</u>	<u>(364,289)</u>
Cash flows from financing activities				
Dividends paid	(17,920,000)	(3,600,000)	–	–
Proceeds from issue of shares	–	77,816	–	–
Net cash used in financing activities	<u>(17,920,000)</u>	<u>(3,522,184)</u>	<u>–</u>	<u>–</u>
Net (decrease)/increase in cash and cash equivalents	(7,725,599)	12,911,467	5,664,653	(3,433,426)
Cash and cash equivalents at the beginning of year/period	<u>14,333,389</u>	<u>6,607,790</u>	<u>6,607,790</u>	<u>19,519,257</u>
Cash and cash equivalents at the end of year/period	<u><u>6,607,790</u></u>	<u><u>19,519,257</u></u>	<u><u>12,272,443</u></u>	<u><u>16,085,831</u></u>
Analysis of balances of cash and cash equivalents:				
Cash and bank balances	<u><u>6,607,790</u></u>	<u><u>19,519,257</u></u>	<u><u>12,272,443</u></u>	<u><u>16,085,831</u></u>

NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 18 December 2012 as an exempted company with limited liability. Its immediate holding company is Luster Wealth Limited, a company incorporated in the BVI and its ultimate holding company is Woodstock Management Limited, a company incorporated in the BVI and wholly-owned by Mr. Chan Sek Keung, Ringo ("Mr. Chan"), the controlling shareholder of the Company.

The addresses of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" of the Prospectus. The Company is an investment holding company. The Group is principally engaged in the development, sale and provision of financial trading software solutions with the principal products being trading and settlement systems of financial products for financial institutions.

Throughout the Track Record Period, the group entities were under the control of Mr. Chan. Through the Reorganisation as more fully explained in the paragraph headed "Corporate Reorganisation" in Appendix IV "Statutory and General Information" to the Prospectus, the Company became the holding company of the companies now comprising the Group on 28 August 2013. Accordingly, for the purpose of the preparation of the Financial Information of the Group, the Company has been considered as the holding company of the companies now comprising the Group throughout the Track Record Period. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. The Group was under the control of Mr. Chan prior to and after the Reorganisation.

The Financial Information has been prepared as if the Company had been the holding company of the Group throughout the Track Record Period in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA. The combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the Track Record Period, which include the results, changes in equity and cash flows of the companies now comprising the Group, have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, where this is a shorter period. The combined statements of financial position as at the respective reporting dates have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates.

The Financial Information is presented in Hong Kong dollar ("HK\$"), which is the same as the function currency of the Company.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has throughout the Track Record Period consistently applied the Hong Kong Accounting Standard ("HKAS"), HKFRS, amendments and interpretations, which are effective for annual periods beginning on or after 1 January 2013.

At the date of this report, the HKICPA has issued the following new and revised standards, amendments and interpretations that have been issued but are not yet effective:

HKFRS 9	Financial Instruments ²
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosures ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities ¹
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities ¹
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets ¹
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting ¹
HK(IFRIC) — Int 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014

² Effective for annual periods beginning on or after 1 January 2015

Amendments to HKAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of “currently has a legally enforceable right of set-off” and “simultaneous realisation and settlement”.

The amendments to HKAS 32 are not effective until annual periods beginning on or after 1 January 2014, with retrospective application required. The directors of the Company anticipate that the application of these amendments to HKAS 32 may result in more disclosures being made with regard to offsetting financial assets and financial liabilities in the future.

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* 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 accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, 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 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. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The directors of the Company anticipate that the application of HKFRS 9 for annual period beginning 1 January 2015 will not have significant impact on the amounts reported in respect of the Group's financial assets and financial liabilities based on the Group's financial instruments reported at the end of the Track Record Period.

The directors of the Company anticipate that the application of the other new and revised standards and amendments will have no material effect on how the results and financial position of the Group are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with HKFRS issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (“GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

The Financial Information has been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The principal accounting policies are set out below.

Basis of consolidation

The Financial Information incorporates the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company (i) has power over the investee; (ii) is exposed, or has rights, to variable returns from its involvement with the investee; and (iii) has the ability to use its power to affect its returns.

The Company 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 listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the combined statements of comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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 transactions, balances, income and expenses are eliminated in full on combination.

Merger accounting for common control combinations

The Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The combined statements of comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and service provided in the normal course of business, net of discounts.

Revenue from sales of hardware is recognised upon satisfactory delivery and when title has passed to the customers.

Revenue from sales of customised software systems is recognised on the percentage of completion method, measured by reference to the proportion of service completed to date to the estimated total services of the relevant contract.

Revenue from provision of system customisation and network support services are recognised on completion of the customisation and network support work which generally coincides with the time when the customised software and network support work is accepted by the customers.

Revenue from provision of software maintenance services, licensing and hosting fees are recognised on a straight-line basis over the period of respective agreements.

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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 lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each of the Track Record 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.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see the accounting policies below); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting the Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each of the Track Record Period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange

rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each of the Track Record Period. Exchange differences arising are recognised in equity under the heading of foreign currency translation reserve.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit/(loss) before tax" as reported in the combined statements of comprehensive income because of items of income or expense that are taxable or deductible in other years and 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 each of the Track Record Period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the combined financial statements and the corresponding tax bases 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 deferred tax 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 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.

The carrying amount of deferred tax assets is reviewed at the end of each of the Track Record Period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax 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 each of the Track Record 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 each of the Track Record Period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the Track Record Period

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.

Property, plant and equipment

Property, plant and equipment are stated in the combined statements of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each of the Track Record Period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant 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, plant 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

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets

At the end of each of the Track Record Period, the Group reviews the carrying amounts of its tangible and intangible assets 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). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When 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.

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 the asset may be impaired.

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 a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When 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 a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each of the Track Record Period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Financial instruments

Financial assets and financial liabilities are recognised 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 (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), "available-for-sale" (AFS) financial assets and "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 instruments 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 instruments, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend income from financial assets at FVTPL is included in the "other gains and losses" line item in the combined statements of comprehensive income.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

AFS financial assets are measured at fair value at the end of each of the Track Record Period. Changes in fair value are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulated gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each of the Track Record Period (see the accounting policy in respect of impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, loan receivable from a related company, amount due from a related company and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each of the Track Record Period. Financial assets are considered to be impaired when 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 investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter 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 past the average credit period, 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 asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities 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.

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 the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including other payables and amount due to a related company) are subsequently measured at 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.

Derecognition

The Group derecognises a financial asset 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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's 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.

On derecognition of a financial asset other than in its entirety, the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is

recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying 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.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Financial Information.

Research and development costs

Careful judgement by the Group's management is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the best information available at the end of each of the Track Record Period. In addition, all internal activities related to the research and development of new software systems are continuously monitored by the Group's management.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each of the Track Record Period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Allowance for doubtful debts

The provisioning policy for trade receivables of the Group is based on the evaluation of collectability and aging 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 provision for impairment may be required.

Impairment of capitalised systems development costs

Determining whether capitalised systems development costs are impaired requires an estimation of the recoverable amount determined by the value in use of the capitalised systems development costs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the capitalised systems development costs and a suitable discount rate in order to calculate the present value. The Group carries out an impairment review assessment on the capitalised systems development costs at the end of each of the Track Record Period and no impairment charge was recognised during the Track Record Period.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt (which include borrowings net of cash and cash equivalents) and equity attributable to owners of the Company (comprising issued share capital, reserves and retained profits).

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group seeks to balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The net debt-to-equity ratio at the end of each of the Track Record Period was as follows:

	As at 31 December 2011 HK\$	As at 31 December 2012 HK\$	As at 31 March 2013 HK\$
Debts	–	–	–
Cash and cash equivalents	(6,607,790)	(19,519,257)	(16,085,831)
Net debt	(6,607,790)	(19,519,257)	(16,085,831)
Equity	5,203,933	12,908,357	11,903,768
Net debt-to-equity ratio	N/A	N/A	N/A

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 December 2011 HK\$	As at 31 December 2012 HK\$	As at 31 March 2013 HK\$
Financial assets			
Fair value through profit or loss (Held-for-trading)	623,865	–	–
Loans and receivables (including cash and cash equivalents)	18,572,894	22,763,100	20,285,377
Available-for-sale investments	1,552,220	–	–
Financial liabilities			
Financial liabilities at amortised cost	11,016,601	9,016,740	5,757,665

(b) Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, held-for-trading investments, trade and other receivables, loan receivable from a related company, amount due from a related company, cash and bank balances, other payables and amount due to a related company. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Foreign currency risk management

Substantially all the revenue-generating operations of the Group were transacted in Hong Kong dollars during the Track Record Period, which is the functional currency and the presentation currency of the Group. The Group therefore does not have significant foreign currency risk.

Interest rate risk management

The Group's fair value interest rate risk relates to fixed-rate loan granted to a related company and fixed interest rate instruments. The Group currently does not have a formal interest rate hedging policy in relation to fair value interest rate risk as the management considers that such risks are insignificant to the Group. The management monitors the Group's exposure on an ongoing basis and will consider hedging the interest rate risk should the need arise.

The directors of the Company consider the fluctuation in interest rates of fixed-rate loan granted to a related company and fixed interest rate instruments is insignificant. Therefore, no sensitivity analysis is presented.

Equity price risk management

The Group is mainly exposed to equity price risk through its investments in listed equity securities. The management manages the exposure by closely monitoring the price movements and the changes in market conditions that may affect the value of these investments.

Equity price sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the end of each of the Track Record Period. A 10 percent change represents management's assessment of the reasonably possible change in equity price.

If equity prices had been 10% higher/lower, the Group's post-tax profit would increase/decrease by approximately HK\$62,000, nil and nil for the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013, respectively. This is mainly due to the changes in fair value of held-for-trading investments.

Credit risk management

At the end of each of the Track Record Period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the combined statements of financial position.

In order to minimise the credit risk, the directors of the Company closely monitors the overall level of credit exposure and the management is responsible for determination of credit approvals and monitors the implementation of the collection procedure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each of the Track Record 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 Group has no significant concentration of credit risk on trade receivables, with exposure spread over a number of customers.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation or high credit ratings assigned by international credit-rating agencies.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework to meet the Group's short, medium and long-term funding and liquidity management requirements. In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Liquidity tables

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	On demand or within one year HK\$	Over one year HK\$	Total undiscounted cash flows HK\$	Total carrying amount HK\$
Non-derivative financial liabilities				
As at 31 December 2011				
Other payables	11,016,284	–	11,016,284	11,016,284
Amount due to a related company	317	–	317	317
	<u>11,016,601</u>	<u>–</u>	<u>11,016,601</u>	<u>11,016,601</u>
As at 31 December 2012				
Other payables	<u>9,016,740</u>	<u>–</u>	<u>9,016,740</u>	<u>9,016,740</u>
As at 31 March 2013				
Other payables	<u>5,757,665</u>	<u>–</u>	<u>5,757,665</u>	<u>5,757,665</u>

(c) Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid prices respectively; and
- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Except as disclosed elsewhere in the Financial Information, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the Financial Information approximate to their fair values at the end of each of the Track Record Period.

Fair value measurements recognised in the combined statements of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 31 December 2011			Total HK\$
	Level 1 HK\$	Level 2 HK\$	Level 3 HK\$	
Financial assets				
<i>Held-for-trading investments</i>				
— Listed equity securities	623,865	—	—	623,865
<i>Available-for-sale investments</i>				
— Unlisted debt securities	—	1,552,220	—	1,552,220
Total	623,865	1,552,220	—	2,176,085

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 during the year ended 31 December 2011. As at 31 December 2012 and 31 March 2013, the Group did not have any assets and liabilities that were measured at the above fair value measurements hierarchy.

7. REVENUE

An analysis of the Group's revenue for the Track Record Period is as follows:

	Year ended 31 December 2011 HK\$	Year ended 31 December 2012 HK\$	Three months ended 31 March 2012 HK\$	Three months ended 31 March 2013 HK\$
			(Unaudited)	
Revenue from the sale of goods	17,360,014	7,068,164	1,456,309	1,802,095
Revenue from the rendering of services	11,613,215	12,287,791	3,106,742	3,053,815
Revenue from the software licensing and hosting	11,580,241	14,270,856	3,221,536	3,348,920
	<u>40,553,470</u>	<u>33,626,811</u>	<u>7,784,587</u>	<u>8,204,830</u>

See Note 8 for an analysis of revenue by major products and services.

8. SEGMENT INFORMATION

At the end of each of the Track Record Period, the chief operating decision makers (i.e. directors of the Company) review the Group's internal financial reporting information for the purposes of resource allocation and performance assessment.

The directors of the Company consider that the business of the Group is organised in one operating segment which is development, sale and provision of financial trading software solutions with the principal products being trading and settlement systems of financial products for financial institutions. Additional disclosure in relation to segment information is not presented as the directors assess the performance of the only operating segment identified based on the consistent information as disclosed in the Financial Information.

The total net segment income is equivalent to profit/(loss) for the year/period as shown in the combined statements of comprehensive income and the total segment assets and total segment liabilities are equivalent to total assets and total liabilities as shown in the combined statements of financial position.

Details of interest income and depreciation in relation to the operating segment are disclosed in Notes 9 and 12, respectively.

Revenue from major products and services

The Group's revenue from its major products and services were as follows:

	Year ended 31 December 2011 HK\$	Year ended 31 December 2012 HK\$	Three months ended 31 March 2012 HK\$	Three months ended 31 March 2013 HK\$
			<i>(Unaudited)</i>	
Sales of hardware	5,116,503	1,444,050	172,559	50,095
Sales of technology software systems	12,243,511	5,624,114	1,283,750	1,752,000
System customisation and network support	4,413,164	4,313,867	1,587,138	802,300
Software maintenance	6,569,082	7,726,194	1,394,372	2,197,306
Software licensing	9,431,327	12,585,979	2,793,686	2,990,600
Hosting	2,148,914	1,684,877	427,850	358,320
Others	630,969	247,730	125,232	54,209
	<u>40,553,470</u>	<u>33,626,811</u>	<u>7,784,587</u>	<u>8,204,830</u>

Revenue reported above represents revenue generated from external customers.

Geographical information

The Company is domiciled in the Cayman Islands with the Group's major operations located in Hong Kong. Substantially all of the Group's revenues from external customers during the Track Record Period are derived from Hong Kong, the place of domicile of the Group's operating subsidiaries. All the non-current assets of the Group are located in Hong Kong.

Information about major customers

Revenue from a major customer contributed to 10% or more to the Group's total revenue is as follows:

	Year ended 31 December 2011 HK\$	Year ended 31 December 2012 HK\$	Three months ended 31 March 2012 HK\$	Three months ended 31 March 2013 HK\$
			<i>(Unaudited)</i>	
Customer A	N/A ¹	4,452,275	1,009,639	1,165,614

¹ The corresponding revenue did not contribute to 10% or more of the total revenue of the Group.

9. INVESTMENT AND OTHER INCOME

	Year ended 31 December 2011 HK\$	Year ended 31 December 2012 HK\$	Three months ended 31 March 2012 HK\$	Three months ended 31 March 2013 HK\$
			<i>(Unaudited)</i>	
Interest income on:				
Bank deposits	794	7,334	4	6
Available-for-sale investments	93,360	106,845	23,340	–
Loan from a related company	400,767	47,260	47,260	–
	<u>494,921</u>	<u>161,439</u>	<u>70,604</u>	<u>6</u>
Total interest income				
Sundry income	879,206	321,469	267,244	–
	<u>1,374,127</u>	<u>482,908</u>	<u>337,848</u>	<u>6</u>

10. OTHER GAINS AND LOSSES

	Year ended 31 December 2011 HK\$	Year ended 31 December 2012 HK\$	Three months ended 31 March 2012 HK\$	Three months ended 31 March 2013 HK\$
			<i>(Unaudited)</i>	
Dividend income from held-for-trading investments	27,700	32,940	–	–
Cumulative gain reclassified from equity to profit or loss on disposal of available-for-sale investments	–	69,817	–	–
Impairment loss on available-for-sale investments	–	(45,665)	–	–
(Loss)/gain arising on change in fair value of financial assets classified as held-for-trading	(2,043,075)	175,080	42,900	–
Net foreign exchange gain/(loss)	182,375	(1,377)	(1,271)	(70)
Loss on disposal of property, plant and equipment	–	(30,250)	–	–
Impairment losses on trade receivables	(669,270)	(283,275)	–	–
Reversal of impairment losses on trade receivables	1,255,460	255,270	255,270	167,775
	<u>(1,246,810)</u>	<u>172,540</u>	<u>296,899</u>	<u>167,705</u>

11. INCOME TAX EXPENSE

	Year ended 31 December 2011 HK\$	Year ended 31 December 2012 HK\$	Three months ended 31 March 2012 HK\$	Three months ended 31 March 2013 HK\$
			<i>(Unaudited)</i>	
Current tax:				
— Hong Kong Profits Tax	2,112,091	2,140,377	485,468	490,284
— Over provision in prior years	(42,726)	(231,599)	—	—
Total income tax recognised in profit or loss	<u>2,069,365</u>	<u>1,908,778</u>	<u>485,468</u>	<u>490,284</u>

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit arising in or derived from Hong Kong for each of the Track Record Period.

The tax charge for the Track Record Period can be reconciled to the profit/(loss) before tax per the combined statements of comprehensive income as follows:

	Year ended 31 December 2011 HK\$	Year ended 31 December 2012 HK\$	Three months ended 31 March 2012 HK\$	Three months ended 31 March 2013 HK\$
			<i>(Unaudited)</i>	
Profit/(loss) before tax	<u>11,246,234</u>	<u>13,128,006</u>	<u>3,452,995</u>	<u>(515,511)</u>
Tax at Hong Kong Profits Tax rate of 16.5%	1,855,629	2,166,121	569,744	(85,059)
Tax effect of expenses not deductible for tax purpose	286,980	144,141	2,785	657,968
Tax effect of income not taxable for tax purpose	(50,506)	(30,093)	(45,971)	(32,430)
Over provision in prior years	(42,726)	(231,599)	—	—
Tax effect of deductible temporary differences not recognised	19,392	(162,146)	(31,956)	(50,327)
Tax effect of tax losses not recognised	—	22,354	—	132
Others	596	—	(9,134)	—
Income tax expense for the year/period	<u>2,069,365</u>	<u>1,908,778</u>	<u>485,468</u>	<u>490,284</u>

No deferred tax liabilities are recognised in the Financial Information as the Group did not have significant temporary differences arising between the tax bases of assets and liabilities and their carrying amounts as at 31 December 2011 and 2012 and 31 March 2013. As at 31 December 2011 and 2012 and 31 March 2013, the Group had estimated unused tax losses of approximately nil and HK\$135,000 and HK\$136,000, respectively, available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in relation to tax losses due to the unpredictability of future profit streams.

12. PROFIT/(LOSS) FOR THE YEAR/PERIOD

	Year ended 31 December 2011 HK\$	Year ended 31 December 2012 HK\$	Three months ended 31 March 2012 HK\$	Three months ended 31 March 2013 HK\$
			(Unaudited)	
Profit/(loss) for the year/period has been arrived at after charging/(crediting):				
Auditors' remuneration	53,000	100,000	12,000	25,000
Depreciation of property, plant and equipment	578,121	376,869	121,873	68,596
Operating lease payments in respect of rented premises	2,063,939	2,183,480	608,370	458,370
Listing expenses (included in administrative expenses)	–	789,000	–	3,939,806
Research and development costs expensed as incurred (included in administrative expenses)	<u>1,206,195</u>	<u>491,921</u>	<u>151,500</u>	<u>–</u>
Employee benefits expense:				
Salaries and other benefits	18,636,485	14,141,713	3,501,546	3,780,361
Contributions to retirement benefit scheme	<u>427,501</u>	<u>464,404</u>	<u>108,830</u>	<u>125,268</u>
Total employee benefits expense, including directors' emoluments (Note 13)	19,063,986	14,606,117	3,610,376	3,905,629
Less: Amounts capitalised in development costs	<u>–</u>	<u>(1,141,905)</u>	<u>(259,790)</u>	<u>(350,059)</u>
	<u>19,063,986</u>	<u>13,464,212</u>	<u>3,350,586</u>	<u>3,555,570</u>

Note:

During the years ended 31 December 2011 and 2012 and the three months ended 31 March 2012 and 2013, total employee benefits expense amounting to HK\$6,119,127, HK\$8,446,033, HK\$1,883,438 and HK\$1,861,790, respectively is included in cost of sales and amounting to HK\$12,944,859, HK\$5,018,179, HK\$1,467,148 and HK\$1,693,780, respectively is included in administrative expenses.

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the six directors of the Company were as follows:

	Fees <i>HK\$</i>	Salaries and other benefits <i>HK\$</i>	Discretionary bonus <i>HK\$</i>	Contributions to retirement benefit scheme <i>HK\$</i>	Total <i>HK\$</i>
Year ended 31 December 2011					
Executive directors					
Mr. Li Hoi Kong ("Mr. Li")	–	959,812	241,500	12,000	1,213,312
Mr. Lai Wai Ho, Samson ("Mr. Lai")	–	932,246	241,500	12,000	1,185,746
Non-executive director					
Mr. Chan	240,000	–	–	–	240,000
Independent non-executive directors					
Ms. Lee Kwun Ling, May Jean	–	–	–	–	–
Mr. Tai Man Hin, Tony	–	–	–	–	–
Mr. Yuen Shiu Wai	–	–	–	–	–
	<u>240,000</u>	<u>1,892,058</u>	<u>483,000</u>	<u>24,000</u>	<u>2,639,058</u>
Year ended 31 December 2012					
Executive directors					
Mr. Li	–	1,064,197	320,000	13,750	1,397,947
Mr. Lai	–	1,039,253	320,000	13,750	1,373,003
Non-executive director					
Mr. Chan	264,000	–	190,000	–	454,000
Independent non-executive directors					
Ms. Lee Kwun Ling, May Jean	–	–	–	–	–
Mr. Tai Man Hin, Tony	–	–	–	–	–
Mr. Yuen Shiu Wai	–	–	–	–	–
	<u>264,000</u>	<u>2,103,450</u>	<u>830,000</u>	<u>27,500</u>	<u>3,224,950</u>
Three months ended 31 March 2013					
Executive directors					
Mr. Li	–	270,451	–	3,750	274,201
Mr. Lai	–	264,915	–	3,750	268,665
Non-executive director					
Mr. Chan	66,000	–	–	–	66,000
Independent non-executive directors					
Ms. Lee Kwun Ling, May Jean	–	–	–	–	–
Mr. Tai Man Hin, Tony	–	–	–	–	–
Mr. Yuen Shiu Wai	–	–	–	–	–
	<u>66,000</u>	<u>535,366</u>	<u>–</u>	<u>7,500</u>	<u>608,866</u>

	Fees <i>HK\$</i>	Salaries and other benefits <i>HK\$</i>	Discretionary bonus <i>HK\$</i>	Contributions to retirement benefit scheme <i>HK\$</i>	Total <i>HK\$</i>
Three months ended 31 March 2012 (Unaudited)					
Executive directors					
Mr. Li	–	267,374	–	3,000	270,374
Mr. Lai	–	256,397	–	3,000	259,397
Non-executive director					
Mr. Chan	66,000	–	–	–	66,000
Independent non-executive directors					
Ms. Lee Kwun Ling, May Jean	–	–	–	–	–
Mr. Tai Man Hin, Tony	–	–	–	–	–
Mr. Yuen Shiu Wai	–	–	–	–	–
	<u>66,000</u>	<u>523,771</u>	<u>–</u>	<u>6,000</u>	<u>595,771</u>

During the Track Record Period, no chief executive officer of the Company has been appointed and accordingly no emolument was paid to the chief executive officer of the Company.

None of the directors of the Company has waived any emoluments during the Track Record Period.

14. EMPLOYEES' EMOLUMENTS

The five individuals with the highest emoluments in the Group for the years ended 31 December 2011 and 2012 and the three months ended 31 March 2012 and 2013 were as follows:

	Year ended 31 December 2011 <i>Number of individuals</i>	Year ended 31 December 2012 <i>Number of individuals</i>	Three months ended 31 March 2012 <i>Number of individuals (Unaudited)</i>	Three months ended 31 March 2013 <i>Number of individuals</i>
Directors	2	2	2	2
Non-director individuals	3	3	3	3
Five highest paid individuals	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

Details of emoluments paid to the two highest paid individuals who were directors of the Company during the years ended 31 December 2011 and 2012 and the three months ended 31 March 2012 and 2013 have been included in Note 13. Details of emoluments paid to the remaining three non-director individuals were as follows:

	Year ended 31 December 2011 HK\$	Year ended 31 December 2012 HK\$	Three months ended 31 March 2012 HK\$	Three months ended 31 March 2013 HK\$
			<i>(Unaudited)</i>	
Salaries and other benefits	1,676,100	1,803,408	461,851	474,440
Discretionary bonus	330,000	428,340	–	–
Contributions to retirement benefit scheme	36,000	41,250	9,000	11,250
	<u>2,042,100</u>	<u>2,272,998</u>	<u>470,851</u>	<u>485,690</u>

The emoluments of each of the above highest paid non-director individuals were below HK\$1,000,000.

During the Track Record Period, no emoluments were paid by the Group to any of the Company's directors or the five highest paid individuals of the Group (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

	Year ended 31 December 2011 HK\$	Year ended 31 December 2012 HK\$	Three months ended 31 March 2012 HK\$	Three months ended 31 March 2013 HK\$
			<i>(Unaudited)</i>	
Dividends recognised as distributions attributable to owners of the Company	17,920,000	3,600,000	–	–

No dividend has been paid or declared by the Company since its incorporation. The above amounts represented the dividends paid by iAsia (BVI) to its then equity holder, prior to the Reorganisation.

The rate of dividend and the number of shares ranking for the above dividends have not been presented as such information is not meaningful having regard to the purpose of this report.

16. EARNINGS/(LOSS) PER SHARE

For the purpose of this report, the calculation of the basic earnings/(loss) per share attributable to owners of the Company was based on (i) the profit/(loss) attributable to owners of the Company for the Track Record Period and (ii) the weighted average number of 150,000,000 shares (comprising 10,000 shares in issue and 149,990,000 shares to be issued under the capitalisation issue as described in Appendix IV "Statutory and General Information" to the Prospectus) as if these 150,000,000 shares were outstanding throughout the Track Record Period.

The diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share as there were no dilutive potential ordinary shares in issue during the Track Record Period.

17. PROPERTY, PLANT AND EQUIPMENT

	Computer equipment and software <i>HK\$</i>	Furniture and fixtures <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Total <i>HK\$</i>
Cost				
Balance at 1 January 2011	12,856,274	157,817	610,010	13,624,101
Additions	412,826	49,500	–	462,326
Disposals	(81,555)	–	–	(81,555)
	<u>13,187,545</u>	<u>207,317</u>	<u>610,010</u>	<u>14,004,872</u>
Balance at 31 December 2011	13,187,545	207,317	610,010	14,004,872
Additions	162,470	24,600	–	187,070
Disposals	(5,120)	(49,500)	–	(54,620)
	<u>13,344,895</u>	<u>182,417</u>	<u>610,010</u>	<u>14,137,322</u>
Balance at 31 December 2012	13,344,895	182,417	610,010	14,137,322
Additions	14,236	–	–	14,236
	<u>13,359,131</u>	<u>182,417</u>	<u>610,010</u>	<u>14,151,558</u>
Balance at 31 March 2013	13,359,131	182,417	610,010	14,151,558
Accumulated depreciation and impairment				
Balance at 1 January 2011	12,429,213	94,947	372,784	12,896,944
Depreciation expense	312,554	62,231	203,336	578,121
Eliminated on disposals of assets	(81,555)	–	–	(81,555)
	<u>12,660,212</u>	<u>157,178</u>	<u>576,120</u>	<u>13,393,510</u>
Balance at 31 December 2011	12,660,212	157,178	576,120	13,393,510
Depreciation expense	318,990	23,989	33,890	376,869
Eliminated on disposals of assets	(5,120)	(19,250)	–	(24,370)
	<u>12,974,082</u>	<u>161,917</u>	<u>610,010</u>	<u>13,746,009</u>
Balance at 31 December 2012	12,974,082	161,917	610,010	13,746,009
Depreciation expense	66,546	2,050	–	68,596
	<u>13,040,628</u>	<u>163,967</u>	<u>610,010</u>	<u>13,814,605</u>
Balance at 31 March 2013	13,040,628	163,967	610,010	13,814,605
Carrying amounts				
Balance at 31 December 2011	<u>527,333</u>	<u>50,139</u>	<u>33,890</u>	<u>611,362</u>
Balance at 31 December 2012	<u>370,813</u>	<u>20,500</u>	<u>–</u>	<u>391,313</u>
Balance at 31 March 2013	<u>318,503</u>	<u>18,450</u>	<u>–</u>	<u>336,953</u>

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Computer equipment and software:	20% to 50%
Furniture and fixtures:	33⅓%
Leasehold improvements:	33⅓%

18. INTANGIBLE ASSETS

	Systems development costs HK\$
Cost	
Balance at 1 January 2011 and 31 December 2011	–
Additions from internal developments	1,141,905
	<hr/>
Balance at 31 December 2012	1,141,905
Additions from internal developments	350,059
	<hr/>
Balance at 31 March 2013	1,491,964
	<hr/> <hr/>

Intangible assets of internally generated development costs represented all direct costs incurred in the development of new software systems.

No amortisation was recognised during the Track Record Period. When the new software systems are available for use, the software systems will be amortised on the straight-line basis over their estimated useful lives of 4 years.

As at 31 December 2012 and 31 March 2013, management considers no impairment on systems development costs since the recoverable amounts exceeds its carrying value.

19. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December 2011 HK\$	As at 31 December 2012 HK\$	As at 31 March 2013 HK\$
Beginning of the year/period	1,542,495	1,552,220	–
Reclassification from held-for-trading	–	45,665	–
Disposals	–	(1,560,000)	–
Impairment loss	–	(45,665)	–
Net gains transfer to equity	9,725	77,597	–
Net gains transfer from equity	–	(69,817)	–
	<hr/>	<hr/>	<hr/>
End of the year/period	1,552,220	–	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

During the year ended 31 December 2012, the Group reclassified profits of HK\$69,817 from equity into profit or loss and an impairment loss of HK\$45,665 were recognised into profit or loss.

Available-for-sale financial assets include the following:

	As at 31 December 2011 HK\$	As at 31 December 2012 HK\$	As at 31 March 2013 HK\$
Unlisted investment classified as non-current assets:			
— Debt securities outside Hong Kong, at fair value	1,552,220	—	—
— Equity securities outside Hong Kong, at cost	—	45,665	45,665
Less: Impairment loss	—	(45,665)	(45,665)
	<u>1,552,220</u>	<u>—</u>	<u>—</u>

The Group held unlisted bonds with fixed coupon interest of 6% per annum as at 31 December 2011. The bond was denominated in United States dollars.

During the year ended 31 December 2012, the Group reclassified financial assets out of held-for-trading category into the available-for-sale category as the equity investment had been delisted from the Singapore Exchange Limited.

The unlisted equity securities as at 31 December 2012 and 31 March 2013 were stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably.

The fair values of reclassified financial assets as of the date of reclassification are:

	Financial assets reclassified in the year ended 31 December 2012	Fair values on date of reclassification HK\$
Reclassified from held-for-trading to available-for-sale	Unlisted equity securities	45,665
	<u> </u>	<u> </u>

The Group has recognised the following gains, losses, income and expenses in the combined statements of comprehensive income in respect of reclassified financial assets:

	For the year ended 31 December 2011 HK\$	For the year ended 31 December 2012 After reclassification HK\$	Before reclassification HK\$
Fair value loss	(1,714,275)	—	—
Impairment loss	—	(45,665)	—
	<u> </u>	<u> </u>	<u> </u>

20. HELD-FOR-TRADING INVESTMENTS

Held-for-trading investments include:

	As at 31 December 2011 HK\$	As at 31 December 2012 HK\$	As at 31 March 2013 HK\$
Listed investments:			
— Equity securities listed in Hong Kong	578,200	—	—
— Equity securities listed outside Hong Kong	45,665	—	—
	<u>623,865</u>	<u>—</u>	<u>—</u>

The fair values of the listed equity securities were determined with reference to quoted market bid prices.

21. TRADE AND OTHER RECEIVABLES

	As at 31 December 2011 HK\$	As at 31 December 2012 HK\$	As at 31 March 2013 HK\$
Trade receivables	4,730,457	2,726,758	3,511,557
Allowance for doubtful debts	<u>(255,270)</u>	<u>(283,275)</u>	<u>(115,500)</u>
	4,475,187	2,443,483	3,396,057
Other receivables	145,115	51,755	50,784
Prepaid listing expenses	—	1,739,274	837,854
Deposits and prepayments	<u>1,022,177</u>	<u>929,039</u>	<u>889,021</u>
	<u>5,642,479</u>	<u>5,163,551</u>	<u>5,173,716</u>

The following is an analysis of trade receivables by age, presented based on the invoice date and net of allowance for doubtful debts:

	As at 31 December 2011 HK\$	As at 31 December 2012 HK\$	As at 31 March 2013 HK\$
0–30 days	2,278,868	512,646	3,106,317
31–60 days	1,877,018	1,319,547	92,600
61–90 days	112,588	520,250	121,600
91–120 days	175,683	91,040	40,500
Over 120 days	<u>31,030</u>	<u>—</u>	<u>35,040</u>
Total	<u>4,475,187</u>	<u>2,443,483</u>	<u>3,396,057</u>

The Group generally allows an average credit period of not more than 30 days to its customers and based on the negotiations between the Group and individual customers. No interest is charged on trade receivables.

Trade receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of each of the Track Record Period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Age of receivables that are past due but not impaired

	As at 31 December 2011 HK\$	As at 31 December 2012 HK\$	As at 31 March 2013 HK\$
Overdue by:			
1–30 days	1,877,018	1,319,547	92,600
31–60 days	112,588	520,250	121,600
61–90 days	175,683	91,040	40,500
Over 90 days	31,030	–	35,040
	<u>2,196,319</u>	<u>1,930,837</u>	<u>289,740</u>
Total			

Movement in the allowance for doubtful debts

	As at 31 December 2011 HK\$	As at 31 December 2012 HK\$	As at 31 March 2013 HK\$
Balance at the beginning of year/period	1,329,460	255,270	283,275
Impairment losses recognised on receivables	669,270	283,275	–
Amounts written off during the year/period as uncollectible	(488,000)	–	–
Impairment losses reversed	(1,255,460)	(255,270)	(167,775)
	<u>255,270</u>	<u>283,275</u>	<u>115,500</u>
Balance at the end of year/period			

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of each of the Track Record Period. The Group has assessed the credit quality of the trade receivables by using internal assessment, taking into account the repayment history and financial background of the trade customers. The concentration of credit risk is limited due to the customer base being large and unrelated.

Age of impaired trade receivables

	As at 31 December 2011 HK\$	As at 31 December 2012 HK\$	As at 31 March 2013 HK\$
Overdue by:			
91–120 days	–	159,000	–
Over 120 days	255,270	124,275	115,500
	<u>255,270</u>	<u>283,275</u>	<u>115,500</u>
Total			

22. LOAN RECEIVABLE FROM A RELATED COMPANY

	As at 31 December 2011 HK\$	As at 31 December 2012 HK\$	As at 31 March 2013 HK\$
Loan receivable	5,000,000	–	–
Loan interest receivable	452,137	–	–
	<u>5,452,137</u>	<u>–</u>	<u>–</u>
Maximum amount outstanding during the year/period:	<u>12,515,041</u>	<u>5,473,370</u>	<u>–</u>

The loan receivable was unsecured, interest bearing at 5% per annum and repayable within twelve months. The loan was advanced to Fortune Grace Management Limited, a company which is owned as to 70% by Mr. Chan.

23. AMOUNT DUE FROM A RELATED COMPANY

Name of related company	As at 31 December 2011 HK\$	As at 31 December 2012 HK\$	As at 31 March 2013 HK\$
Glory Stand Investments Limited	1,149,460	–	–
Maximum amount outstanding during the year/period:	<u>1,149,460</u>	<u>9,257,299</u>	<u>–</u>

The amount due was unsecured, interest-free and repayable on demand. During the Track Record Period, Mr. Chan, Mr. Li and Mr. Lai, directors of the Company, Mr. Wong Cheuk Wai and Mr. Liu Hon Kit, two senior management personnel of the Group, have beneficial interests in the company.

24. CASH AND BANK BALANCES

Cash and bank balances comprise cash held by the Group and short-term bank deposits with an original maturity of three months or less which carry interest at market rates at 0.01% per annum, ranging from 0.01% to 0.77% per annum and 0.01% per annum for the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013, respectively.

25. OTHER PAYABLES

	As at 31 December 2011 HK\$	As at 31 December 2012 HK\$	As at 31 March 2013 HK\$
Receipts in advance	4,293,026	4,021,263	4,669,448
Customers deposit	3,376,760	3,700,860	3,563,760
Other payables and accruals	8,156,850	5,554,893	2,432,918
	<u>15,826,636</u>	<u>13,277,016</u>	<u>10,666,126</u>

26. AMOUNT DUE TO A RELATED COMPANY

Name of related company	As at 31 December 2011 HK\$	As at 31 December 2012 HK\$	As at 31 March 2013 HK\$
MelcoLot Limited	317	–	–

The amount due was unsecured, interest-free and repayable on demand. During the Track Record Period, Mr. Chan was a non-executive director and has beneficial interest in the company.

27. SHARE CAPITAL

For the purpose of the preparation of the Financial Information, the balance of share capital at 31 December 2011 and 2012 and 31 March 2013 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group held by Mr. Chan, the controlling shareholder, prior to the Reorganisation.

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 December 2012 with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and 1 share was issued thereafter. On 10 September 2013, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional of 962,000,000 shares of HK\$0.01 each, each ranking pari passu with the shares then in issue in all respects.

28. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rules of the MPF Scheme, the employer and employees are each required to make contributions to the scheme at specified rate and capped at HK\$1,000 (HK\$1,250 effective from 1 June 2012) per month per person. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the MPF Scheme. The total contributions payable to the MPF Scheme by the Group amounted to HK\$427,501, HK\$464,404 and HK\$125,268 for the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013, respectively. Amounts of nil, HK\$30,357 and HK\$4,390 were capitalised in development costs and the remaining HK\$427,501, HK\$434,047 and HK\$120,878 were recognised in the combined statements of comprehensive income for the years ended 31 December 2011 and 2012 and the three months ended 31 March 2013, respectively.

29. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises which fall due as follows:

	As at 31 December 2011 HK\$	As at 31 December 2012 HK\$	As at 31 March 2013 HK\$
Within one year	2,183,480	1,833,480	1,544,300
In the second to fifth years inclusive	2,002,640	169,160	–
	<u>4,186,120</u>	<u>2,002,640</u>	<u>1,544,300</u>

Operating lease payments represent rentals payable for the Group's office premise. Leases are negotiated for a term of 1 to 3 years and rentals are fixed throughout the lease period.

30. RELATED PARTY TRANSACTIONS**(i) Transactions**

During the Track Record Period, the Group entered into the following significant transactions with the following related party based on the terms mutually agreed by both parties:

Nature of transaction	Year ended	Year ended	Three	Three
	31 December	31 December	months	months
	2011	2012	ended	ended
	HK\$	HK\$	31 March	31 March
			2012	2013
			HK\$	HK\$
			<i>(Unaudited)</i>	
Loan interest income from a related company — Fortune Grace Management Limited	400,767	47,260	47,260	—

Fortune Grace Management Limited is owned as to 70% by Mr. Chan. The loan interest was charged in accordance with the loan agreement.

(ii) Balances

Details of balances with related parties of the Group at the end of each of the Track Record Period are set out in Notes 22, 23 and 26.

(iii) Compensation of key management personnel

The remuneration of directors and other members of key management during the Track Record Period were as follows:

	Year ended	Year ended	Three	Three
	31 December	31 December	months	months
	2011	2012	ended	ended
	HK\$	HK\$	31 March	31 March
			2012	2013
			HK\$	HK\$
			<i>(Unaudited)</i>	
Salaries and short-term employee benefits	2,615,058	3,197,450	589,771	601,366
Post-employment benefits	24,000	27,500	6,000	7,500
	<u>2,639,058</u>	<u>3,224,950</u>	<u>595,771</u>	<u>608,866</u>

B. DIRECTORS' REMUNERATION

Save as disclosed in the Financial Information, no other remuneration has been paid or is payable to the Company's directors by the Company or any of its subsidiaries during the Track Record Period. Under the arrangements presently in force, the aggregate remuneration of the Company's directors for the year ending 31 December 2013 is expected to be approximately HK\$2,406,000.

C. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 March 2013:

- (i) The Company adopted a share option scheme on 10 September 2013, a summary of the terms and conditions of which are set out in the paragraph headed "Share Option Scheme" in Appendix IV "Statutory and General Information" to the Prospectus.
- (ii) The Reorganisation as set out in Note 1 to Section A was completed on 28 August 2013.
- (iii) On 10 September 2013, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of an additional of 962,000,000 shares of HK\$0.01 each.

D. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies comprising the Group in respect of any period subsequent to 31 March 2013.

Yours faithfully,
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Jonathan T. S. Lai
Practising Certificate Number: P04165
Hong Kong

APPENDIX II	UNAUDITED PRO FORMA FINANCIAL INFORMATION
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The information set out in this appendix does not form part of the Accountants' Report prepared by HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included in this prospectus for information only.

The following unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules is for illustrative purposes only, and is set out here to provide investors with further information about how the proposed listing might have affected the net tangible assets of the Group as if the Placing had occurred on 31 March 2013. Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of the Group's financial results and positions of the financial periods concerns.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma adjusted combined net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Placing as if it had taken place on 31 March 2013. 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 the Group after the Placing or at any future dates.

	Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2013 HK\$'000 (Note 1)	Add: Estimated net proceeds from the Placing HK\$'000 (Note 2)	Unaudited pro forma adjusted net tangible assets HK\$'000	Unaudited pro forma adjusted net tangible assets per Share HK\$ (Note 3)
Based on the Placing Price of HK\$0.82 per Share	<u>10,412</u>	<u>28,595</u>	<u>39,007</u>	<u>0.20</u>

Notes:

1. The audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2013 were determined as follows:

	<i>HK\$'000</i>
Audited combined net assets of the Group attributable to owners of the Company as at 31 March 2013 as shown in the Accountants' Report of the Company as set out in Appendix I to this prospectus	11,904
<i>Less:</i> Intangible assets as at 31 March 2013	<u>(1,492)</u>
Audited combined net tangible assets of the Group attributable to owners of the Company as at 31 March 2013	<u><u>10,412</u></u>

2. The estimated net proceeds from the Placing are based on the Placing Price of HK\$0.82 per Share, after deduction of relevant estimated underwriting fees and other related fees and expenses but without taking into account any Shares which may fall to be allotted and issued upon exercise of the Offer Size Adjustment Option.
3. The unaudited pro forma adjusted net tangible assets per Share are determined after the adjustments as described in notes 1 and 2 above and on the basis that 200,000,000 Shares are issued and outstanding as set out in the section headed "Share Capital" in this prospectus, but takes no account of any Shares which may fall to be allotted and issued upon exercise of the Offer Size Adjustment Option.
4. The unaudited pro forma financial information presented above does not take account of any trading or other transactions subsequent to the date of the financial statements included in the unaudited pro forma financial information (i.e. 31 March 2013).

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus.



國 衛 會 計 師 事 務 所 有 限 公 司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON
THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION****To the Directors of Finsoft Corporation**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Finsoft Corporation (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma adjusted net tangible assets as at 31 March 2013 (the "Unaudited Pro Forma Financial Information") and related notes as set out in Section A of Appendix II to the prospectus issued by the Company dated 18 September 2013 (the "Prospectus"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described in Section A of Appendix II to the prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed placing of 50,000,000 shares of HK\$0.01 each in the capital of the Company on the Group's financial position as at 31 March 2013 as if the event had taken place at 31 March 2013. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the three months ended 31 March 2013, on which an accountants' report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7, "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" (AG 7) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements (HKSAE) 3420, "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- a. the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,

HLB Hodgson Impey Cheng Limited

Certified Public Accountants

Jonathan T. S. Lai

Practising Certificate Number: P04165

Hong Kong, 18 September 2013

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
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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 Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 December 2012 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 10 September 2013. 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) Share certificates

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
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issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

<p style="text-align: center;">APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW</p>

(ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iii) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(iv) Loans and provision of security for loans to Directors

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) Disclosure of interest in contracts with the Company or with any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be

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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.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares 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 associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the 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 associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

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- (ee) any contract or arrangement in which the Director or his 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.

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion 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 has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) 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 (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

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In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board 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.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. The number of Directors shall not be less than two.

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In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;
- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, 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;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

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(viii) Borrowing powers

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) Register of Directors and officers

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

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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.

(e) Alteration of capital

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is 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 members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

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(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorised representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

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Where the Company has knowledge that any member is, under the Listing Rules (as defined in the Articles), 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 member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

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The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules (as defined in the Articles), a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed 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;
- (cc) the election of Directors in place of those retiring;

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- (dd) the appointment of auditors;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and 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 of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

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The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) 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 requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and

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- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

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All dividends, bonuses or other distributions 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, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest

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wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the 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, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(q) 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. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

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(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) in this appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be 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, then 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 shall be 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, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets 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 and the members within each class. The liquidator may, with the like sanction,

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vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

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3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 18 December 2012 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, 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 authorized share capital.

(b) Share capital

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. 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 or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The 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 such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that 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.

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It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

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A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy 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

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of 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 (see sub-paragraph 2(n) in this appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is ultra vires the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

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In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that 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 interest 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

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to 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.

Section 59 of the Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

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- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 15 January 2013.

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 certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The 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 of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

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(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company 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.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW
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(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT THE COMPANY**1. Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 18 December 2012. The Company has established a principal place of business in Hong Kong at 23/F, W Square, 318 Hennessy Road, Wanchai, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part XI of the Companies Ordinance on 6 February 2013. Loong & Yeung has been appointed as the authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong. As the Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of the Company

- (a) As at the date of incorporation, the Company has an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One Share was allotted and issued nil paid to the subscriber on 18 December 2012, which was subsequently transferred to Luster Wealth on the same day.
- (b) Pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Infinite Capital from Luster Wealth and Efficient Channel, respectively, on 28 August 2013, (i) the 1 nil paid Share held by Luster Wealth was credited as fully paid; and (ii) 9,249 and 750 Shares were allotted and issued to Luster Wealth and Efficient Channel, respectively, and were credited as fully paid.
- (c) On 10 September 2013, the Shareholders resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$10,000,000 by the creation of an additional of 962,000,000 Shares, each ranking *pari passu* with the Shares then in issue in all respects.
- (d) Immediately following completion of the Capitalisation Issue and the Placing, and assuming that the Offer Size Adjustment Option is not exercised, and taking no account of any Share which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme, 200,000,000 Shares will be issued fully paid or credited as fully paid, and 800,000,000 Shares will remain unissued.

- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of the Shareholders passed on 10 September 2013” in this appendix and pursuant to the Share Option Scheme and the Offer Size Adjustment Option, the Company does not have any present intention to issue any of the authorised but unissued share capital of the Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.
- (f) Save as disclosed in this prospectus, there has been no alteration in the Company’s share capital since its incorporation.

3. Written resolutions of the Shareholders passed on 10 September 2013

On 10 September 2013, resolutions in writing were passed by the Shareholders pursuant to which, among other things:

- (a) the Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix III to this prospectus;
- (b) the authorised share capital of the Company be increased from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each by the creation of an additional 962,000,000 Shares of HK\$0.01 each, ranking pari passu with the existing Shares in all respects;
- (c) conditional on the Listing Division granting listing of, and permission to deal in, the Shares in issue and Shares to be issued as mentioned in this prospectus including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and the Offer Size Adjustment Option and on the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
 - (i) the Placing was approved and the Directors were authorised to allot and issue the Placing Shares pursuant to the Placing to rank pari passu with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “Share Option Scheme” in this appendix, were approved and adopted and the Directors were authorised, at their absolute discretion, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;

- (iii) the Offer Size Adjustment Option was approved and the Directors were authorised to allot and issue the Shares as may be required to be allotted and issued upon the exercise of Offer Size Adjustment Option to rank pari passu with the then existing Shares in all respects;
 - (iv) conditional further on the share premium account of the Company being credited as a result of the Placing, the Directors were authorised to capitalise an amount of HK\$1,499,900 standing to the credit of the share premium account of the Company and to appropriate such amount as to capital to pay up in full at par 149,990,000 Shares for allotment and issue to the persons whose names appear on the register of members of the Company at the close of business on 9 September 2013 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in the Company, each ranking pari passu in all respects with the then existing issued Shares, and the Directors were authorised to give effect to such capitalisation and distributions and the Capitalisation Issue was approved;
- (d) a general unconditional mandate was given to the Directors to exercise all powers of the Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share option scheme of the Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Articles or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the Placing, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements and options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting;

- (e) a general unconditional mandate was given to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, such mandate to remain in effect until whichever is the earliest of:
 - (i) the conclusion of the next annual general meeting of the Company;
 - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of the Company which may be allotted or agreed to be allotted by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of the Company repurchased by the Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganisation

In preparing for the Listing, the companies comprising the Group underwent the Reorganisation to rationalise the corporate structure of the Group and the Company became the holding company of the Group. The Reorganisation involved the following:

- (a) Pursuant to the sale and purchase agreement dated 26 November 2012, referred to in item (a) of the paragraph headed “Summary of material contracts” in this appendix, and entered into by Glory Stand as vendor, Infinite Capital as purchaser and Luster Wealth, Infinite Capital acquired 10 ordinary shares of iAsia (BVI), which represented its entire issued share capital, from Glory Stand and in consideration, Luster Wealth issued and allotted 849, 65, 65, 10 and 10 shares in Luster Wealth, credited as fully paid, to each of Woodstock, Mr. Lai, Mr. Li, Mr. Wong and Mr. Liu (as directed by Glory Stand), respectively. After the aforesaid share transfer, Infinite

Capital held 10 ordinary shares of iAsia (BVI), being its entire issued share capital, and each of iAsia (BVI) and Wealthy Link became a wholly-owned subsidiary of Infinite Capital.

- (b) Pursuant to the sale and purchase agreement dated 26 November 2012, referred to in item (b) of the paragraph headed “Summary of material contracts” in this appendix, and entered into by Glory Stand as vendor and Infinite Capital as purchaser, Infinite Capital acquired 1 ordinary share of Gracious Queen, which represented its entire issued share capital, from Glory Stand in nominal consideration of US\$1. After the aforesaid share transfer, Infinite Capital held 1 ordinary share of Gracious Queen, being its entire issued share capital, and Gracious Queen became a wholly-owned subsidiary of Infinite Capital.
- (c) Pursuant to the Efficient Channel Investment Agreement dated 27 November 2012 as referred to in item (c) of the paragraph headed “Summary of material contracts” in this appendix, and entered into by Luster Wealth as vendor, Efficient Channel as purchaser, Mr. Chan and Infinite Capital, Efficient Channel acquired 750 ordinary shares of Infinite Capital, which represented 7.5% of its issued share capital, from Luster Wealth in consideration of HK\$2,400,000.
- (d) On 18 December 2012, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares with a par value of HK\$0.01 per share. One nil-paid Share was allotted and issued to the subscriber to the memorandum and articles of association of the Company, which was subsequently transferred to Luster Wealth on the same day.
- (e) Pursuant to the sale and purchase agreement dated 28 August 2013, referred to in item (d) of the paragraph headed “Summary of material contracts” in this appendix, and entered into by Luster Wealth and Efficient Channel as vendors, the Company as purchaser, Mr. Chan and Infinite Capital, the Company acquired 9,250 and 750 ordinary shares of Infinite Capital, which in aggregate represented its entire issued share capital, from Luster Wealth and Efficient Channel, respectively. As consideration, (i) the 1 nil paid Share held by the Luster Wealth was credited as fully paid; and (ii) 9,249 and 750 Shares were allotted and issued to Luster Wealth and Efficient Channel, respectively, and were credited as fully paid. After the aforesaid share transfer, the Company held 10,000 ordinary shares of Infinite Capital, being the entire issued share capital of Infinite Capital, and Infinite Capital became a wholly-owned subsidiary of the Company.

Immediately after completion of the share transfer referred to in item (e) above, the Company then became the holding company of the Group.

5. Changes in share capital of subsidiaries

The subsidiaries of the Company are listed in the Accountants' Report of the Company, the text of which is set out in Appendix I to this prospectus.

On 23 November 2012 and 26 November 2012, Infinite Capital issued and allotted 100 and 9,900 ordinary shares to Luster Wealth for cash at par, respectively.

Save as disclosed above and in the paragraph headed "Corporate Reorganisation" in this appendix and in the section headed "History, Reorganisation and Corporate Structure" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of the Shares by the Company

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of the Shares by the Company.

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies whose primary listing is on GEM to repurchase their securities on GEM subject to certain restrictions, a summary of which is set out below:

(i) Shareholders' approval

The GEM Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on 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 the Shareholders on 10 September 2013, a general unconditional mandate (the "**Repurchase Mandate**") was granted to the Directors authorising them to exercise all powers of the Company to repurchase on GEM or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal amount of the share capital of the Company in issue immediately following completion of the Placing and the Capitalisation Issue but excluding any Shares which may be issued under the Offer Size Adjustment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of the Company, or the expiration of the period within which the next annual general meeting of the Company is required by the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

(ii) *Source of Funds*

Any repurchase by the Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. The Company may not repurchase its own Shares on 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.

Any repurchases by the Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or out of the Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

(iii) *Connected parties*

The GEM Listing Rules prohibit the Company from knowingly repurchasing the Shares on GEM from a "connected person" (as defined in the GEM Listing Rules), which includes a Director, chief executive or substantial shareholder of the Company or any of its subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to the Company on GEM.

(b) *Exercise of the Repurchase Mandate*

On the basis of 200,000,000 Shares in issue immediately after completion of the Placing and the Capitalisation Issue, the Directors would be authorised under the Repurchase Mandate to repurchase up to 20,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid up.

(c) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and its Shareholders for the Directors to have a general authority from Shareholders to enable the 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 Company's net asset value and/or earnings per Share and will only be made when the Directors believe that such repurchases will benefit the Company and the Shareholders.

(d) *Funding of repurchases*

In repurchasing the Shares, the Company may only apply funds legally available for such purpose in accordance with the Articles, the GEM Listing Rules and the applicable laws and regulations of the Cayman Islands.

The Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

(e) *General*

None of the Directors or to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the GEM Listing Rules) of any Director, has any present intention to sell any Shares to the Company if the Repurchase Mandate is exercised.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the GEM Listing Rules, the Articles and the applicable law and regulations from time to in force in the Cayman Islands.

If, as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the "Takeovers Code"). In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of the Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, the Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to the Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that the Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the GEM Listing Rules). No connected person (as defined in the GEM Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**




The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of the Company taken as a whole:

- (a) a sale and purchase agreement dated 26 November 2012 entered into between Glory Stand as vendor, Infinite Capital as purchaser and Luster Wealth, pursuant to which Infinite Capital acquired 10 ordinary shares of iAsia (BVI), representing its entire issued share capital, and in consideration of which Luster Wealth allotted and issued 849, 65, 65, 10 and 10 shares in Luster Wealth, credited as fully paid, to each of Woodstock, Mr. Lai, Mr. Li, Mr. Wong and Mr. Liu (as directed by Glory Stand), respectively;
- (b) a sale and purchase agreement dated 26 November 2012 entered into between Glory Stand as vendor and Infinite Capital as purchaser, pursuant to which Infinite Capital acquired 1 ordinary share of Gracious Queen, representing its entire issued share capital, in consideration of US\$1;
- (c) a sale and purchase agreement dated 27 November 2012 entered into between Luster Wealth as vendor, Efficient Channel as purchaser, Mr. Chan and Infinite Capital, pursuant to which Efficient Channel acquired 750 ordinary shares of Infinite Capital, representing 7.5% of its issued share capital, in consideration of HK\$2,400,000;
- (d) a sale and purchase agreement dated 28 August 2013 entered into between Luster Wealth and Efficient Channel as vendors, the Company as purchaser, Mr. Chan and Infinite Capital, pursuant to which the Company acquired 9,250 and 750 ordinary shares of Infinite Capital, representing its entire issued share capital, from Luster Wealth and Efficient Channel, respectively, in consideration of which (i) the 1 nil paid Share held by the Luster Wealth was credited as fully paid; and (ii) 9,249 and 750 Shares were allotted and issued to Luster Wealth and Efficient Channel, respectively, and were credited as fully paid;
- (e) a deed of indemnity dated 10 September 2013 and executed by Mr. Chan, Woodstock and Luster Wealth, in favour of the Company (for itself and on behalf of its subsidiaries) containing indemnities referred to in the paragraph headed “Tax and other indemnities” in this appendix;
- (f) a deed of non-competition undertaking dated 10 September 2013 and executed by Mr. Chan, Woodstock and Luster Wealth in favour of the Company (for itself and on behalf of its subsidiaries) containing certain non-competition undertakings to the Group; and
- (g) the Underwriting Agreement.

2. Intellectual Property Rights of the Group

(a) Trademarks

As at the Latest Practicable Date, the Group was the registered owner of the following trademarks:

Trademark	Registered Owner	Place of Registration	Class	Registration Date	Expiry Date	Registration Number
	iAsia (BVI)	Hong Kong	42	3 November 2006	2 November 2016	300753561
	iAsia (BVI)	Macau	42	3 January 2008	3 January 2015	N/027667
iAsia Online Systems Limited	iAsia (BVI)	Macau	42	3 January 2008	3 January 2015	N/027668
亞洲網上系統有限公司	iAsia (BVI)	Macau	42	3 January 2008	3 January 2015	N/027669
 iAsia Online Systems Limited 亞洲網上系統有限公司	iAsia (BVI)	Macau	42	3 January 2008	3 January 2015	N/027670

(b) Domain names

As at the Latest Practicable Date, the Group is the owner of the following domain names which are material to the business of the Group:

Registered Owner	Domain Name	Registration Date	Expiry Date
iAsia (BVI)	iasia.com.hk	13 November 2000	19 March 2015
iAsia (BVI)	iasiatechnology.com	13 October 2000	13 October 2016
iAsia (BVI)	iasia-online.com	29 November 2009	29 November 2013
iAsia (BVI)	finsoftcorp.com	23 January 2013	23 January 2018

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of Interests

(a) Interests of Directors and chief executive in Shares and Underlying Shares of the Company

So far as the Directors are aware, immediately following the completion of the Placing and the Capitalisation Issue, but taking no account of any Shares which may be issued under the Offer Size Adjustment Option or upon the exercise of any options which may be granted under the Share Option Scheme or repurchased by the Company pursuant to the mandates as referred to in the paragraph headed “Further information about the Company” in this appendix, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of the associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the GEM, will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short positions which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, will be as follows:

(i) Long position in the Shares

Name of Director	Capacity/Nature	Number of Shares held	Percentage of shareholding
Mr. Chan (<i>Note</i>)	Interest in controlled corporation	138,750,000	69.375%

Note: These 138,750,000 Shares are held by Luster Wealth. Mr. Chan beneficially owns 100% of the issued share capital of Woodstock, which in turn owns 85% of the issued share capital of Luster Wealth. Therefore, Mr. Chan is deemed, or taken to be, interested in all the Shares held by Luster Wealth for the purposes of the SFO. Mr. Chan is the sole director of each of Luster Wealth and Woodstock, respectively. Mr. Li, an executive Director, Mr. Lai, an executive Director, Mr. Wong, a member of the senior management of the Group and Mr. Liu, a member of the senior management of the Group, owns 6.5%, 6.5%, 1% and 1% of the issued share capital of Luster Wealth, respectively.

(ii) *Long position in the ordinary shares of associated corporations*

Name of Director	Name of associated corporation	Capacity/ Nature	Number of share(s) held	Percentage of shareholding
Mr. Chan	Woodstock	Beneficial owner	1	100%
Mr. Chan	Luster Wealth	Interest in controlled corporation	850	85%
Mr. Li	Luster Wealth	Beneficial owner	65	6.5%
Mr. Lai	Luster Wealth	Beneficial owner	65	6.5%

(b) *Interests of substantial and other Shareholders in the Shares and Underlying Shares*

So far as is known to the Directors and taking no account of any Shares which may be taken up under the Placing, and Shares to be issued under the Offer Size Adjustment Option or pursuant to options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of the Company) will, immediately following the completion of the Capitalisation Issue and the Placing, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Capacity/ Nature	Number of Shares held	Percentage of shareholding
Woodstock	Interest in controlled corporation	138,750,000	69.375%
Luster Wealth	Beneficial owner	138,750,000	69.375%
Efficient Channel (Note 1)	Beneficial owner	11,250,000	5.625%
Mr. Kwok (Note 1)	Interest in controlled corporation	11,250,000	5.625%
Ms. Yip Nga Wan (Note 2)	Interest of spouse	11,250,000	5.625%

Notes:

- These 11,250,000 Shares are held by Efficient Channel. Mr. Kwok beneficially owns 100% of the issued share capital of Efficient Channel. Therefore, Mr. Kwok is deemed, or taken to be, interested in all the Shares held by Efficient Channel for the purposes of the SFO. Mr. Kwok is the sole director of Efficient Channel.
- Ms. Yip Nga Wan is the spouse of Mr. Kwok. Accordingly, Ms. Yip Nga Wan is deemed or taken to be interested in all the Shares in which Mr. Kwok is interested in for the purpose of the SFO.

2. Particulars of service contracts

Each of the executive Directors has entered into a service contract with the Company. 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 Listing Date subject to termination, among others, by giving not less than three months written notice. 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 monthly salary and the discretionary bonus payable to him. The current basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) of the executive Directors are as follows:

Name	Amount
Mr. Li	HK\$1,113,600
Mr. Lai	HK\$998,400

The non-executive Director has entered into a service contract with the Company. The non-executive Director is appointed with an initial term of two years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant service contract. The annual remuneration payable to the non-executive Director under the service contract is as follows:

Name	Amount
Mr. Chan	HK\$264,000

Each of the independent non-executive Directors has entered into a service contract with the Company. The terms and conditions of each of such service contracts are similar in all material respects. Each of the independent non-executive Directors are appointed with an initial term of two years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant service contracts. The annual remuneration payable to the independent non-executive Directors under each of the service contracts are as follows:

Name	Amount
Mr. Yuen Shiu Wai	HK\$60,000
Mr. Tai Man Hin, Tony	HK\$60,000
Ms. Lee Kwun Ling, May Jean	HK\$60,000

None of the Directors has or is proposed to have any service agreement with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

3. Remuneration of Directors

- (a) The aggregate remuneration paid by the Group to the Directors in respect of the two years ended 31 December 2011 and 2012 and the three months ended 31 March 2013 were approximately HK\$2,639,000, HK\$3,225,000 and HK\$609,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by the Group to the Directors for the year ending 31 December 2013 will be approximately HK\$2,406,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by the Group to each of the Directors will be as follows:

Executive Directors	<i>HK\$</i>
Mr. Li	HK\$1,113,600
Mr. Lai	HK\$998,400
Non-executive Director	<i>HK\$</i>
Mr. Chan	HK\$264,000
Independent non-executive Directors	<i>HK\$</i>
Mr. Yuen Shiu Wai	HK\$60,000
Mr. Tai Man Hin, Tony	HK\$60,000
Ms. Lee Kwun Ling, May Jean	HK\$60,000

4. Agency fees or commissions received

Save as disclosed in the paragraph headed “Commission and expenses” in the section headed “Underwriting” of this prospectus, none of the Directors or the experts named in the paragraph headed “Consents of experts” in this appendix had received any agency fee or commissions from the Group within the two years preceding the date of this prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 30 to the Accountants’ Report of the Company set out in Appendix I to this prospectus.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be issued under the Offer Size Adjustment Option or upon the exercise of options which may be granted under the Share Option Scheme or repurchased by the Company pursuant to the mandates as referred to in the paragraph headed “Further information about the Company” in this appendix, the Directors are not aware of any person (not being a Director or chief executive of the Company) who will, immediately following the completion of the Placing and the Capitalisation Issue, have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group;
- (b) none of the Directors or chief executive of the Company has any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the GEM;
- (c) none of the Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (d) none of the Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) none of the Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

- (f) so far as is known to the Directors, none of the Directors, their respective associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of the Company has any interests in the five largest customers or the five largest suppliers of the Group;
- (g) none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of the Group to any Director since the date of incorporation of the Company, nor are any remuneration or benefits in kind payable by any member of the Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

D. SHARE OPTION SCHEME

The Company has conditionally adopted the Share Option Scheme on 10 September 2013. 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.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules.

(a) Definitions

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	10 September 2013, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolutions
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Group”	the Company and any entity in which the Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of the Shareholders passed on 10 September 2013:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (fulltime and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of the Group and to promote the success of the business of the Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or services provider of the Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where the Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before listing.

(iv) Grant of options and acceptance of offers

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.

(v) *Maximum number of Shares*

- (aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that the Company may grant options in respect of up to 20,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 20,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the GEM Listing Rules in this regard.
- (cc) the Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by the Company before such approval is sought. In such event, the Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the GEM Listing Rules.
- (dd) The aggregate 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 share option schemes of the Company must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Company if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, the Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to certain connected persons*

- (aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of the Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million, such further grant of options is required to be approved by Shareholders at a general meeting of the Company, with voting to be taken by way of poll. The Company shall send a circular to the Shareholders containing all information as required under the GEM Listing Rules in this regard. All connected persons of the Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) Restrictions on the times of grant of options

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of the Company until such inside information has been announced pursuant to the requirements of the GEM Listing Rules and the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
- (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or other interim period (whether or not required under the GEM Listing Rules); and
 - (ii) the deadline for the Company to publish an announcement of the results for any year, half-year or quarterly under the GEM Listing Rules, or other interim period (whether or not required under the GEM Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of the Company are published and:
- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) Time of exercise of option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) Performance targets

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) Ranking of Shares

The Shares to be allotted 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 fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of the Company as the holder thereof.

(xii) Rights are personal to grantee

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) Rights on cessation of employment by death

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of six months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) Rights on cessation of employment by dismissal

In the event that the grantee is an employee of the Group at the date of grant and he subsequently ceases to be an employee of the Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with the Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with the Group.

(xv) Rights on cessation of employment for other reasons

In the event that the grantee is an employee of the Group at the date of grant and he subsequently ceases to be an employee of the Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already exercised) shall lapse on the expiry of 3 months after the date of cessation of such employment (which date will be the last actual working day with the Company or the relevant member of the Group whether salary is paid in lieu of notice or not).

(xvi) Effects of alterations to share capital

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction to which any member of the Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to the Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the GEM Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification is required in case of adjustment made on a capitalisation issue), provided that any alteration shall give a grantee the same proportion of the issued share capital of the Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) Rights on a general offer

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and, or any persons controlled by the offeror and, or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) Rights on winding-up

In the event a notice is given by the Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than 2 Business Days prior to the proposed general meeting of the Company by giving notice in writing to

the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the 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 the relevant Shares to the grantee credited as fully paid.

(xix) Rights on compromise or arrangement

In the event of a compromise or arrangement between the Company and the Shareholders or the creditors of the Company being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies pursuant to the Companies Law, the Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“Suspension Date”), by giving notice in writing to the Company accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of the Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by the Company and no claim shall lie against the Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of the Company or any of its officers.

(xx) Lapse of options

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises the Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);

- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xiv), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of the Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of the Group, the date on which the grantee ceases to be a substantial shareholder of such member of the Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) Cancellation of options granted but not yet exercised

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) Period of the Share Option Scheme

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(xxiii) Alteration to the Share Option Scheme

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 23.03 of the GEM Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (bb) Any amendment to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of the GEM Listing Rules or any guidelines issued by the Stock Exchange from time to time.

(xxiv) Termination to the Share Option Scheme

The Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) Conditions of the Share Option Scheme

The Share Option Scheme is conditional on the Listing Division of the Stock Exchange granting the listing of, and permission to deal in the Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Division for listing of and permission to deal in 20,000,000 Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme. As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

Mr. Chan, Woodstock and Luster Wealth (collectively, the “Indemnifiers”) have, under a deed of indemnity referred to in paragraph (e) of the sub-section headed “Summary of material contracts” in this appendix, given joint and several indemnities to the Company for itself and as trustee for its subsidiaries in connection with, among other things, (a) any taxation (including estate duty) falling on any member of the Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Placing becomes unconditional; or (ii) in respect of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Placing becomes unconditional; and (b) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of the Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of the Group in relation to events occurred on or before the date on which the Placing becomes unconditional; (c) all relocation costs, loss of profit and business, penalties and fines and all losses and damages which may be suffered by the Group as a result of any relocation due to the non-obtaining of the mortgagee’s consent as referred to in the paragraph headed “Lack of mortgagee’s consent may cause the Group to relocate its office” in the section headed “Risk Factors” and in the paragraph

headed “Properties” in the section headed “Business” of this prospectus; and (d) any non-compliance with the applicable laws, rules or regulations, including but not limited to the Companies Ordinance, by the Group on or before the date on which the Placing becomes unconditional. The Indemnifiers will, however, not be liable under the deed of indemnity to the extent that, among others:

- (a) in relation to items (a), (b), (c) and (d) above, specific provision, reserve or allowance has been made for such liability in the audited combined accounts of the Company for the Track Record Period; or
- (b) in relation to item (a) above, the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Placing becomes unconditional; or
- (c) in relation to item (a) above, the taxation liability arises in the ordinary course of business of any members of the Group after 31 March 2013 up to and including the date on which the Placing becomes unconditional.

The Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on the Group.

2. Litigation

The Directors confirmed that as at the Latest Practicable Date, no member of the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is pending or threatened by or against any member of the Group.

3. Sponsor

The Sponsor has made an application on behalf of the Company to the Listing Division for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme and the exercise of the Offer Size Adjustment Option. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

4. Preliminary expenses

The preliminary expenses relating to the incorporation of the Company are approximately HK\$40,775 and are payable by the Company.

5. Promoter

The Company has no promoter.

6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

Name	Qualification
Ample Capital Limited	A licensed corporation under the SFO to engage in type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) of the regulated activities as defined under the SFO
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Chan Chung	Barrister-at-law of Hong Kong, the Legal Counsel of the Company

7. Consents of experts

Each of Ample Capital Limited, HLB Hodgson Impey Cheng Limited, Appleby and Mr. Chan Chung has given and has not withdrawn its/his written consents to the issue of this prospectus, with the inclusion of its/his letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or reference to its/his name included herein in the form and context in which they respectively appear.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

9. Registration procedures

The principal register of members of the Company in the Cayman Islands will be maintained by Appleby Trust (Cayman) Ltd. and a branch register of members of the Company will be maintained by Union Registrars Limited. Save where the Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, the Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands.

10. No material adverse change

The Directors confirm that there has been no material adverse change in the financial or trading position or prospects of the Company or its subsidiaries since 31 March 2013 (being the date to which the latest audited financial statements of the Group were made up) and up to the Latest Practicable Date.

11. Taxation of holders of Shares**(a) *Hong Kong***

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Share being sold or transferred.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of the Company, the Directors or parties involved in the Placing accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

12. Miscellaneous**(a) Save as disclosed herein:****(i) Within the two years immediately preceding the date of this prospectus:**

- (aa) no share or loan capital of the Company has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
- (bb) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of its subsidiaries;
- (cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any Shares;
- (dd) no founder, management or deferred shares or any debentures of the Company have been issued or agreed to be issued;

- (ii) no share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;
- (iii) there has not been any interruption in the business of the Group which may have or have had a significant effect on the financial position of the Group in the 12 months immediately preceding the date of this prospectus;
- (iv) none of Ample Capital Limited, HLB Hodgson Impey Cheng Limited, Appleby and Mr. Chan Chung:
 - (aa) is interested beneficially or non-beneficially in any securities in any member of the Group, including the Shares; or
 - (bb) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group, including the Shares;
- (v) the Company and its subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date; and
- (vi) the English text of this prospectus shall prevail over the Chinese text.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG AND AVAILABLE FOR INSPECTION
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A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the written consents referred to in the paragraph headed “Consents of experts” in Appendix IV to this prospectus, and copies of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Loong & Yeung at Suites 2001–2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles;
- (b) the accountants’ report of the Company dated the date of this prospectus prepared by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the letter on unaudited pro forma financial information issued by HLB Hodgson Impey Cheng Limited, the text of which is set out in Appendix II to this prospectus;
- (d) the letter prepared by Appleby summarising certain aspects of Cayman Islands company law referred to in Appendix III to this prospectus;
- (e) the Companies Law;
- (f) the service contracts referred to in the paragraph headed “Particulars of service contracts” in Appendix IV to this prospectus;
- (g) the rules of the Share Option Scheme referred to in the paragraph headed “Share Option Scheme” in Appendix IV to this prospectus;
- (h) the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix IV to this prospectus;
- (i) the written consents referred to in the paragraph headed “Consents of experts” in Appendix IV to this prospectus; and
- (j) the letters of advice prepared by the Legal Counsel of the Company dated the date of this prospectus as to certain non-compliance with the Companies Ordinance by the Group, certain business of the Group and the rules and regulations applicable to the Group in Hong Kong.